

**Appendix 6**

**Country Specific Questionnaires- IP & Commercial Law**

**Austria**

A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

The main provisions in Austrian legislation regarding the protection of trade secrets are Secs. 11, 12, 13 and 26 Act against Unfair Competition (UWG – violation of trade and business secrets) and Secs. 122 et seqq. Penal Code (Strafgesetzbuch – for details see Criminal Law Questionnaire).

Furthermore, the following provisions also contain provisions on the protection of trade secrets:

- Sec. 13 Patent Act (Patentgesetz): This provision requires the employee to keep employee inventions secret prior to the acceptance of the invention by the employer
- Sec. 115 (4) of the Labour Constitutional Act (Arbeitsverfassungsgesetz): This provision requires works council members to keep secret any trade and business secrets made known to them in the course of their function.

Sec. 15 of the Austrian Data Protection Act (Datenschutzgesetz) provides a more general requirement of data secrecy regarding all data made available to the employee during his activity for the Company secret, notwithstanding any other obligations of secrecy.

In commercial and IP law Secs. 11, 12 and 13 of the Act against Unfair Competition are the most relevant provisions. They are criminal provisions within the Act against Unfair Competition, but form the basis for civil law cease and desist orders and damage claims.

<p>Sec. 11 Act against Unfair Competition:</p> <p>(1) Anyone who, as an employee of an enterprise and during the duration of employment, discloses without authorisation any trade or business secret which due to his employment has been entrusted or has been made accessible to him, to another party for competitive purposes, shall be sentenced by the court to a term of imprisonment of</p>	<p>§ 11 UWG:</p> <p>(1) Wer als Bediensteter eines Unternehmens Geschäfts- oder Betriebsgeheimnisse, die ihm vermöge des Dienstverhältnisses anvertraut oder sonst zugänglich gemacht worden sind, während der Geltungsdauer des Dienstverhältnisses unbefugt anderen zu Zwecken des Wettbewerbes mitteilt, ist vom Gericht mit Freiheitsstrafe bis zu 180 Tagessätzen zu bestrafen.</p> <p>(2) Die gleiche Strafe trifft den, der</p>
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<p>up to three months or a fine of up to 180 per diem rates.</p> <p>(2) The same punishment shall apply to whoever, without authorisation and for competitive purposes, uses or discloses to others any trade or business secret which he has received by information as set forth in Para 1 above or by an act of his own which is illegal or contrary to public policy.</p> <p>(3) The offence shall be prosecuted only upon request of the injured party.</p>	<p>Geschäfts- oder Betriebsgeheimnisse, deren Kenntnis er durch eine der im Abs. 1 bezeichneten Mitteilungen oder durch eine gegen das Gesetz oder die guten Sitten verstoßende eigene Handlung erlangt hat, zu Zwecken des Wettbewerbes unbefugt verwertet oder an andere mitteilt.</p> <p>(3) Die Verfolgung findet nur auf Verlangen des Verletzten statt.</p>
<p>Sec. 12 Act against Unfair Competition:</p> <p>(1) Anyone who, without authorisation and for competitive purposes, uses or discloses to another party any technical documents or requirements entrusted to him in the course of business, shall be sentenced by the court to a term of imprisonment of up to three months or a fine of up to 180 per diem rates.</p> <p>(2) Para 1 shall not be applicable when the documents or requirements have been entrusted by the owner of an enterprise to his/her employee.</p> <p>(3) The offence shall be prosecuted only upon request of the injured party.</p>	<p>§ 12 UWG:</p> <p>(1) Wer die ihm im geschäftlichen Verkehr anvertrauten Vorlagen oder Vorschriften technischer Art zu Zwecken des Wettbewerbes unbefugt verwertet oder anderen mitteilt, ist vom Gericht mit Freiheitsstrafe bis zu drei Monaten oder mit Geldstrafe bis zu 180 Tagessätzen zu bestrafen.</p> <p>(2) Abs. 1 ist nicht anzuwenden, wenn die Vorlagen oder Vorschriften vom Inhaber eines Unternehmens seinem Bediensteten anvertraut worden sind.</p> <p>(3) Die Verfolgung findet nur auf Verlangen des Verletzten statt.</p>
<p>Sec. 13 Act against Unfair Competition:</p> <p>Anyone who violates Secs. 10 through 12 may furthermore be sued for a cease and desist order and payment of damages.</p>	<p>§ 13 UWG:</p> <p>Wer den §§ 10 bis 12 zuwiderhandelt, kann außerdem auf Unterlassung und Schadenersatz in Anspruch genommen werden.</p>

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed

appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

In the field of unfair competition law, the Sections of the Act against Unfair Competition Act apply and provide remedies within the range of civil and criminal law. Only penal remedies are provided by the mentioned sections of the Penal Code which are located in the field of criminal law. Under the provisions of the Penal Code the person who was injured by the infringement can additionally claim compensation of damages. In the field of patent law the sections of the Patent Act are relevant with regard to protection of trade secrets and offer civil remedies (interim injunction, claim for damages).

None of those provisions provide a definition for trade secrets as such. Due to the fact that trade and business secrets are both protected by different Acts in different fields of law, Austrian literature assesses that a unified provision containing a universal definition of trade and business secrets in Austrian law has become less likely. In Austrian literature and case law, the following standards for trade and business secrets have been developed:

- Commercial or technical information or processes in relation to the business of a company which are important for the competitive position of the company (economic commercial value),
- only known to certain and limited circle of people (secret),
- which shall be kept confidential and
- there is a legitimate economic interest in the confidentiality of the information or process.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

In addition to the already enlisted provisions, the Austrian law system provides other resources offering protection of trade secrets, in particular Sec. 1 Paras 1, 4 and 5 of the Act Against Unfair Competition:

<p>Sec. 1 Act against Unfair Competition:</p> <p>(1) Anyone who in the course of business</p> <p>1. resorts to an unfair commercial practice or other unfair practice</p>	<p>§ 1 UWG:</p> <p>(1) Wer im geschäftlichen Verkehr</p> <p>1. eine unlautere Geschäftspraktik oder sonstige unlautere Handlung anwendet, die geeignet ist, den Wettbewerb zum</p>
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<p>which is likely to distort competition not only insignificantly to the detriment of enterprises, or [...] may be sued for injunctive relief and case of default for payment of damages. [...] (4) For the purposes of the Act the meaning the following shall mean [...] 2. "commercial practice" any act, omission, conduct or declaration, commercial communication including advertising and marketing of an enterprise which directly relates to sales promotion, sales or supply of a product; [...] (5) In proceedings for injunctive relief or damages according to Para 1-3, the entrepreneur has to prove the correctness of allegations of facts in connection with a commercial practice if such a claim seems to be appropriate in consideration of the justified interests of the entrepreneur and the other market participants in the individual case.</p>	<p>Nachteil von Unternehmen nicht nur unerheblich zu beeinflussen, oder [...] kann auf Unterlassung und bei Verschulden auf Schadenersatz in Anspruch genommen werden. [...] (4) Im Sinne dieses Gesetzes bedeutet [...] 2. „Geschäftspraktik“ jede Handlung, Unterlassung, Verhaltensweise oder Erklärung, kommerzielle Mitteilung einschließlich Werbung und Marketing eines Unternehmens, die unmittelbar mit der Absatzförderung, dem Verkauf oder der Lieferung eines Produkts zusammenhängt; [...] (5) Der Unternehmer hat in Verfahren auf Unterlassung oder Schadenersatz nach Abs 1 bis 3 die Richtigkeit der Tatsachenbehauptung im Zusammenhang mit einer Geschäftspraktik zu beweisen, wenn ein solches Verlangen unter Berücksichtigung der berechtigten Interessen des Unternehmers und anderer Marktteilnehmer wegen der Umstände des Einzelfalls angemessen erscheint.</p>
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Sec. 1 of the Act against Unfair Competition applies in case an employee has already left his employment.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

The relevant section in the field of the law against unfair competition, Sec. 1 of the Unfair Competition Act, provides civil remedies, namely injunctive relief and compensation of damages. Austrian courts adjudicated on obtaining trade or business secrets by fraud or breach of confidence and granted protection under Sec. 1 Act against Unfair Competition.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Since Austrian law does not provide any definition, neither for intellectual property as such nor for trade secrets, the question whether trade secrets are considered to be intellectual property cannot be answered by using legal definitions.

Specific laws such as the Copyright Act, Trade Mark Act, Design Act, Patent Act and Utility Model Act offer protection for intellectual property (for example trade marks, designs, patents, utility models). The protection of trade secrets is granted by the Act against Unfair Competition. However, the Act against Unfair Competition does not provide for information rights for the owner of the trade or business secret with regard to the alleged infringer.

The Directive 2004/48/EC was implemented into the Patent Act, the Semi-Conductor Act, the Trade Mark Act and the Copyright Act. The Unfair Competition Act has not undergone any amendments based on the implementation of Directive 2004/48/EC.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

Austrian law does not differ between trade secrets and business secrets. However, trade secrets are often referred to as facts and knowledge of a mostly commercial nature, which are known only to persons acquainted with the internal course of the business, and business secrets referred to more technical factors. As the legal consequences are identical, no differentiation has to be made between trade and business secrets.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

The protection of trade and business secrets is placed in the centre of controversial interests: the demand in freedom of information and free speech on the one hand and the demand to effectively protect the privacy regarding personal and proprietary aspects on the other hand. Furthermore, as the provisions on the protection of trade secrets are scattered over different fields of law, there is no uniform interpretation and varying case law. Nevertheless, a harmonized and common legislation for the definition and effective protection of trade and business secrets would enable the owners of trade and business secrets to proceed on a more standardized basis and to allow for a uniform level of protection. This would provide an enormous advantage and more security and transparency with regard to the trade and business secret protection. Furthermore, such harmonization would support and further the

recognition of trade and business secrets as valuable assets of many companies. The most important feature would be to strengthen the position of the owners of trade and business secrets, especially with regard to civil procedural aspects.

There are no current proposals for new legislation in Austria.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

- Austrian Supreme Court: OGH 4 Ob 94/86 – Tenniskartei (tennis files), ÖBl 1988, 12; OGH 8 ObA 311/01w – Kopieren der Kundendatei (copying of customer files), ÖBl 2003, 127;. OGH 9 Os 7/70 – Farbbedrucken von Spielzeugwaggons (colour-coating of toy wagons), ÖBl 1971, 26: These decisions provide examples of the definition of trade and business secrets.
- Austrian Supreme Court: OGH 4 Ob 309/98i – Erinasolum, ÖBl 1999, 299: The Austrian Supreme Court granted an action for accounting in a case of unfair passing-off by analogous application of Sec. 151 Patent Act.
- Austrian Supreme Court: OGH 17 Ob 21/09a – Manpower VIII, ÖBl 2010, 275: The Austrian Supreme Court granted an action for accounting in a case of unfair passing-off by analogous application of Sec. 151 Patent Act.
- German case law is also essential for the interpretation of Austrian legal provisions. Thus, the decision of the German Federal Court of Justice, BGH I ZR 72/59 – Wurftaubenpresse (Clay pigeon press), GRUR 1961, 40 has frequently been cited in Austria and sets out that a detailed description of the trade and business secret is necessary only insofar as this is essential for legal enforcement.
- Another German judgement regards the civil remedies available with regard to the damages options available: German Federal Court of Justice, BGH I ZR 112/75 – Prozessrechner (process computer), GRUR 1977, 539. This judgement sets out the admissibility of the three options to claim damages by reference to the fact that the legal position of the owner of a business secret is highly similar to the legal position of the owner of an intellectual property right.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

- Andreas Wiebe and Georg E. Kodek (eds.), Kommentar zum UWG – Gesetz gegen den unlauteren Wettbewerb (Commentary on the Act against Unfair Competition), Manz, 2009.

The commentary on the Act against Unfair Competition provides literature and case law as well as detailed input on the protection of trade and business secrets in its Secs. 11, 12, 13 and 26.

- Lothar Wiltschek, UWG\_– Gesetz gegen den unlauteren Wettbewerb (Act against Unfair Competition), Manz 2007.

This commentary provides a short overview of the most important topics and amendments of the Act against Unfair Competition based on the amendment 2007. A rough overview of the protection of trade and business secrets is contained in Secs. 11, 12, 13 and 26.

- Maximilian Gumpoldsberger and Peter Baumann (eds.), UWG – Bundesgesetz gegen den unlauteren Wettbewerb (Act against Unfair Competition), Verlag Österreich 2006.

This commentary on the Act against Unfair Competition provides literature and case law as well as detailed input on the protection of trade and business secrets in its Secs. 11, 12, 13 and 26.

- Thomas Mildner, Arbeitsrechtliche Geheimhaltungspflicht im Lauterkeitsrecht (employment law based confidentiality obligation in unfair competition matters), ÖBl 2011/66.

The author details the implications of, inter alia, the infringement of trade and business secrets and the impact on the application of unfair competition claims and remedies.

- Christian Eisner und Florian Schiffkorn, Geheimhaltung von Beweisen zur Wahrung von Geschäftsgeheimnissen (Confidentiality of pieces of evidence for the protection of trade secrets), ZVB 2010/43.

Review of the ECJ judgment C-450/06 - Varec SA v. Belgium, regarding the confidentiality of pieces of evidence in order to secure and ascertain the confidentiality of trade secrets.

- Elisabeth Schöberl, Beweis des Gegenteils und Schutz der Geschäfts- und Betriebsgeheimnisse (Proof to the contrary and protection of trade and business secrets), ÖJZ 2005/17.

This article deals with proceedings regarding the infringement of process patents and the consideration of trade and business secrets in this respect. The author sets out the current legal framework and suggests amendments to improve the protection of trade and business secrets.

- Michael Schramböck, Der Schutz von Betriebs- und Geschäftsgeheimnissen nach Beendigung des Arbeitsverhältnisses in Österreich und den USA im Rechtsvergleich (Protection of trade and business secrets after termination of the employment in Austria and the US in comparative law), ÖBl 2000, 3.

## B LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

To commence legal proceedings based on the Act against Unfair Competition, it is necessary to establish the following elements:

- The existence of a trade or business secret: such secret is either based on a confidentiality duty based on the employment relationship, a secret which has been entrusted or made accessible in the course of the employment relationship and the disclosure of which would infringe legitimate economic interests of the owner of the company.
- The fact that the trade or business secret has been entrusted or made accessible to the employee in the course of the employment activities.
- The infringer's imminent intent to use in an unauthorised manner or disclose the trade or business secret (for competitive purposes), and
- The owner's legitimate economic interest in confidentiality of the information: the use or disclosure of the trade or business secret must be capable of infringing the legitimate interest of the owner of the business.

The offence will be prosecuted only upon request of the injured party. As already mentioned above, the provisions of the Act against Unfair competition are criminal provisions which form the basis for civil law cease and desist orders and claims for damages.

2. What civil remedies are made available? Are the remedies cumulative?

The civil remedies made available under the Act against Unfair Competition are as follows:

- cease and desist orders,
- removal of the infringement (e.g. to return or destroy infringing information or items), and
- damage claims.

Although the Act does not envisage rendering of accounts, the Austrian Supreme Court has granted the rendering of accounts in certain cases.

The above enlisted remedies may be cumulated. Damages may furthermore also be based on contractual provisions (penalties).

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

Under Austrian civil law, it is up to the applicant to substantiate the facts to be proved as well as the evidence required. Secs. 384 et seqq. of the Code of Civil Procedure (Zivilprozessordnung) provide for remedies to preserve evidence. These concern evidence by inspection, the hearing of witnesses and evidence by court experts. Preservation of evidence can be ordered by the court if the plaintiff proves that the evidence would otherwise be lost or presenting the evidence would otherwise be hindered. In case of imminent danger, preservation of evidence may be ordered by the court ex parte.



According to Sec. 378 of the Code of Enforcement (Exekutionsordnung) the court may impose interim injunctions upon application to secure the rights of one of the parties.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

Under Austrian law, the forms of interim relief are preliminary injunctions and cease and desist orders. The court can issue interim injunctions if the claimant provides sufficient information on the impending or already committed infringement. Interim injunctions are a common tool to deal with infringements of trade and business secrets. However, they are only available to secure cease and desist as well as removal claims.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

In general, injunctions are not time limited. Preliminary injunctions do not need to be confirmed through ordinary proceedings. However, upon application of the defendant, the court has to order principal proceedings and undergo ordinary proceedings.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

The average duration of interim injunction proceedings varies from several days to several weeks. However, they usually are swift proceedings, based on the consideration that interim injunctions shall provide immediate (interim) remedy.

The duration of main proceedings may take about from several months up to over a year from filing the claim to the decision in the first instance. The duration will also depend on the evidence in question and the judge in question.

The costs of proceedings will vary from case to case. Average costs will amount to approx. EUR 10.000,- to EUR 25.000,- (again depending on the case at hand).

(d) Are cases involving technical trade secrets heard by specialist judges?

Under Austrian law, commercial courts will hear trade secret matters based on the Act against Unfair Competition. Such courts are composed of judges who are experts in commercial matters.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

Sec. 26 of the Act against Unfair Competition envisages that the general public may be excluded from the trial upon application, if a public hearing would endanger a business or trade secret. This regards both penal charges and the hearing of a claim under civil law based on the Act against Unfair Competition.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

As there is no public register that enlists the court cases heard and the respective subject matters of such court cases, it is hard to provide an answer to this question. From our experience, there is no significantly high number of trade secret cases.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

As it is up to the applicant to substantiate the facts to be proved and the evidence required, the enforcement of trade and business secret infringement is indeed rather difficult. There is no practical way to obtain evidence from the opponent in civil proceedings under Austrian law.

5. What defences are available to the defendant in a trade secrets action?

As a defence strategy, the defendant could, inter alia, invoke that

- the information in question is no trade or business secret as such,
- he has not misappropriated the trade or business secret in an unlawful way,
- he has legally obtained knowledge of the information,
- he has independently developed the trade or business secret.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

The requisite considered most important will depend on the facts of the case at hand. Generally speaking, the higher the commercial value of the trade or business secret and the greater the efforts to keep the information secret, the higher the need to grant protection of a trade or business secret. In practice, the question whether the trade or business secret is indeed secret and not known to the public will mostly require expert knowledge.

7. As to award of damages:

(a) What are the available options?

There are three available options:

- Compensation of actual economic loss, including lost profits
- Recovery of the infringer's profit
- Licence analogy

The options are not cumulative.

(b) What are the criteria to determine and calculate damages?

- Compensation of actual economic loss, including lost profits: the damage is calculated on the damage suffered from the infringement of the trade or business secret.
- Recovery of the infringer's profit: the damage is based on the infringer's profit he has obtained through the infringement of the trade or business secret.
- Licence analogy: the damage is based on the appropriate amount of money which a licensee would be required to pay for the legitimate use of the trade or business secret.

(c) Are punitive damages available for breach of trade secrets?

Under Austrian law, punitive damages are not available for the breach of trade or business secrets and are generally not permitted in Austrian civil law.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

As the damages awarded will depend on the individual facts of the case and the damage suffered by the owner of the trade or business secret, it is not possible to quantify an average amount of damages.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Under the Act against Unfair Competition, trade and business secret violations can result in contractual and non-contractual claims.

Sec. 11 (1) envisages infringement by employees of an enterprise in the course of their employment. Sec 11 (2) sanctions anyone who uses or discloses to others any trade or business secret which he has received by information that has been passed on to him by an employee within the meaning of Sec. 11 (1), thus addressing espionage, fraud and other improper actions. Please note the remedies available under civil law are identical.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

Please note Austrian law does not distinguish between trade and business secrets obtained in good or bad faith as such. Cease and desist orders may also be issued against someone who obtains trade and business secrets in good faith. This includes removal of the infringement. According to Austrian literature, damage claims are not restricted to cases of intent, but also apply to cases of default with regard to the

infringement of trade and business secrets. Thus, damage claims could also be granted in cases of slight negligence.

(b) A person who autonomously developed the same information?

In case the person truly developed the same information autonomously, there would be no infringement of trade or business secrets.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(a) While the employee is still employed?

The employer can implement policies or insert non disclosure or confidentiality clauses either in the employment agreement or as a separate policy or non-disclosure agreement, including contractual penalties. Furthermore, the employee has a general duty of good faith towards the employer.

In case of infringement of such policies or clauses while employee is still employed, the employer may react with the following steps: instructions, warnings, termination of employment.

If a disciplinary code is legally implemented, appropriate measure may also be taken according to this plan.

(b) Once the employee has left his employment?

The employer can file an action for an injunction (either based on the contract or on the Act against Unfair Competition), may enforce contractual penalties or file for damage claims.

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

There is no general example that can be used for all eventual scenarios. On a general level, the following clauses could serve as a starting point for more detailed provision in this respect and would have to be adapted to the individual case:

- Sample no. 1:

"Employee shall keep strictly confidential all business matters, operations, internal business relations or results as well as all matters of Employer which come to his knowledge during his activities for Employer. This obligation survives the termination hereof and applies not only towards third parties, but also towards the company's entire staff, unless these secrets must be disclosed to them for business reasons. Any violation of this obligation requires Employee to pay damages and constitutes a ground for immediate dismissal.

All documents, in particular objects, certificates, records and correspondence made available to Employee shall remain Employer's property. Employee shall return these documents to Employer on Employer's request or upon termination of employment.

Employee shall be obliged to comply with data secrecy according to § 15 Data Protection Act. Accordingly he shall keep all data made available to him during his activity for the Company secret, notwithstanding any other obligations of secrecy. Employee may only transfer such data upon instructions by the Company and shall also abide by the data secrecy after termination of his employment with the Company.”

- Sample no. 2:

“The Employee shall not disclose to any third party – including any other unauthorized employees of the Employer – or use for her personal gain any business, operational, or technical information, which has been entrusted to her or which has otherwise become known to her and which relates to the Employer, to any of its related companies, or to any enterprise with which the Employer has a business relationship. In particular, no information may be disclosed concerning the organization of the business, the relations with customers and other business partners and the Employer’s know-how as well as inventions, suggestions for improvements, and the content of this Agreement. These obligations shall apply during the term of this Agreement as well as after its expiration.

Business records of any kind, including personal notes concerning company affairs and activities shall be carefully kept and shall be used only for business purposes. It is not permitted to make or extracts or duplicates of drawings, calculations, statistics and the like and of any other business records for purposes other than the business of the Employer.

The Employee shall immediately return to the Employer all business records, data, data files, data carriers, copies and as well as other objects, which are in her possession and concern the Employer, during the term of employment upon request, upon termination of this Agreement or in case of a release from work duties without explicit request. The Employee shall have no right of retention over any such records and objects.

Such clauses are generally enforceable. However, bear in mind that penalties may be mitigated by a judge. The law does not distinguish between ‘real’ trade secrets and general information that happens to be confidential. However, such differentiation may be inferred from or be explicitly stated in the contract and may thus be applied by judges.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

Under Austrian law, criminal law suits serve the purpose of punishment of the accused for criminal offences. Civil law serves to enforce claims against another party. Criminal law does not give any remedies to the owner of the trade or business secret. However, a criminal conviction will support civil claims and may help to provide the necessary evidence in civil proceedings.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

From a practical point of view, trade and business secrets are protected by either non-disclosure agreements or by means of licencing agreements which contain confidentiality provisions. Both non-disclosure agreements and licencing agreements are enforceable under Austrian law.

13. With regards to non disclosure and non use agreements:

(a) Are they effective and enforceable in your jurisdiction?

Yes. Please also see our answer to Question 12. above.

(b) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

The prevailing enforcement is provided by contract law. As set out above, the law against unfair competition provides statutory support and completion of such provisions.

(c) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

Such doctrine does not exist in Austria. However, please note non-competition agreements are frequently agreed upon in employment agreements. Their validity will depend on the circumstances of the individual case.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

(a) Place where trade secrets are created/conceived, and/or

(b) Place where misappropriation of trade secrets takes place, and/or

(c) Place where unlawful use of trade secrets takes place, and/or

(d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

The answer to this question will depend on the circumstances of the individual case.

If the foreign jurisdiction involved is a Member State of the European Union, Council Regulation (EC) No. 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("EUGVVO") will apply. According to Art 2 (1) of the EUGVVO, persons domiciled in a Member State of the European Union shall generally be sued in the courts of that Member State. Art 5 no. 3 EUGVVO stipulates that matters relating to tort, delict or quasi-delict shall be dealt with in courts for the place where the harmful event occurred or may occur. Nearly identical provisions apply to the countries governed by the Lugano Convention (i.e. Iceland, Norway and Switzerland).

Outside of Europe the competent jurisdiction is determined by international agreements or subsidiary to those agreements by the competent jurisdiction determined by Austrian statutory provisions regarding local jurisdictions. According to Sec. 83c of the Law on Jurisdiction (Jurisdiktionsnorm), jurisdiction shall lie with the court in whose district the defendant has his place of business within Austria. If the defendant has no place of business in Austria, jurisdiction shall lie with the place of general jurisdiction (allgemeiner Gerichtsstand). The place of general jurisdiction is determined by the place of residence of the defendant. If no such place of general jurisdiction exists within Austria, jurisdiction shall lie with the court where the act was committed.

In answer to the above question, the place where the trade or business secret was created or conceived is irrelevant for the cross-border enforcement. However, the Place where the misappropriation of trade or business secrets takes place, the place where unlawful use occurs or where the parties are domiciled is essential for the enforcement of the protection of trade secrets.

15. With regard to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

Foreign judgments are enforceable in Austria if they are enforceable in the jurisdiction in which they were rendered and if the reciprocity is granted by treaties or regulations (Sec. 79 (2) Enforcement Act – Exekutionsordnung, EO).

According to Sec. 81 EO enforceability of the judgment will not be granted if the following conditions apply:

- The defendant has not been able to participate in the proceedings of the foreign authority.
- The enforceability of the judgment would enforce an action which is illegal or not enforceable under Austrian law.
- The enforceability of the judgment would result in the acceptance of a claim or a legal position which is has no validity or actionability under Austrian law based on reasons regarding the public order or morals.

## Belgium

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

There is no comprehensive set of rules governing the protection of trade secrets as such under Belgian law. Limited forms of protection are afforded to particular types of trade secrets under specific circumstances. In a decision of 19 September 2007, however, the Constitutional Court (*Grondwettelijk Hof / Cour Constitutionnelle*) has ruled that the right to protection of trade secrets can be derived from article 8 of the European Convention on Human Rights ("ECHR").<sup>1</sup>

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Article 39.2; case law or doctrine of your jurisdiction).

Not applicable.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

Relevant statutory provisions include Article 309 of the Criminal Code (*Strafwetboek / Code pénal*), article 17, 3° of the Act of 3 July 1978 on employment contracts (*Wet van 3 juli 1978 betreffende de arbeidsovereenkomsten / Loi du 3 juillet 1978 relative aux contrats de travail* – the "AEC"), Article 1382 of the Civil Code and Article 95 of the Act of 6 April 2010 on Unfair Market Practices and Consumer Protection (*Wet van 6 april 2010 betreffende marktpraktijken en consumentenbescherming / Loi du 6 avril 2010 sur les pratiques du marché et la protection du consommateur* – the "UMPA").

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<sup>1</sup> Constitutional Court nr. 118/2007, 19 September 2007, available on <http://www.const-court.be/> where the Constitutional Court ruled as follows: "De eerbiediging van het privéleven omvat het recht voor het individu om buiten zijn intieme kring relaties aan te knopen en te ontwikkelen, ook op het professionele of commerciële vlak (EHRM, 16 december 1992, Niemietz t. Duitsland, § 29; EHRM, 23 maart 2006, Vitiello t. Italië, § 47). Daaruit volgt dat de zakengeheimen van een natuurlijke persoon integraal deel kunnen uitmaken van zijn privéleven. [...] Het recht op de eerbiediging van het privéleven komt in zekere mate ook toe aan de rechtspersonen. In dat opzicht kunnen de maatschappelijke zetel, het agentschap of de professionele lokalen van een rechtspersoon in bepaalde omstandigheden worden beschouwd als zijn woning (EHRM, 16 april 2002, Société Colas Est en anderen t. Frankrijk, § 41). Derhalve kan worden aangenomen dat het recht op de eerbiediging van het privéleven van de rechtspersonen de bescherming van hun zakengeheimen omvat." (free English translation: "Respect for private life includes the right for the individual to form relationships and develop outside his inner circle, even in the professional or commercial area (ECHR, 16 December 1992, Niemietz v. Germany, § 29, ECHR, 23 March 2006, Vitiello v. Italy, § 47). It follows that the trade secrets of an individual may be an integral part of his private life. [...] The right to respect for private life applies to some extent also to legal entities. In that sense, the registered office, agency or professional premises of a legal entity may in certain circumstances be regarded as its home (ECHR, 16 April 2002, Société Colas Est and Others v. France, § 41). It can therefore be assumed that the right to respect for private life of legal entities includes the protection of their business secrets"); see on this decision M. BUYDENS, "La protection des secrets d'affaires et la procédure en saisie-contrefaçon", Cahier Jur. 2011/1, p. 13 and following.



(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Article 39.2; case law or doctrine of your jurisdiction).

Under Belgian law, trade secrets are not a recognised intellectual property right. It follows that a statutory definition of the concept of trade secrets does not exist. Several legal commentators have put however forward a definition of what they consider to be “know-how”. The Belgian Supreme Court (*Hof van Cassatie / Cour de Cassation*) requires the courts themselves to define know-how and trade secrets according to the “usual meaning” of these terms<sup>2</sup> and to decide whether a manufacturing process in fact qualifies as know-how or a trade secret.

A workable definition of “know-how” is contained in Article 1(i) of EU Regulation 772/2004 of 27 April 2004 on the application of Article 81(3) of the Treaty to categories of technology transfer agreements (“EU Regulation 772/2004”). According to Article 1(i) of EU Regulation 772/2004, “know-how” means a package of non-patented practical information, resulting from experience and testing, which is secret, substantial and identified.

At national level, a distinction must be drawn between “manufacturing secrets” (*fabricagegeheimen / secrets de fabrique*), “trade secrets” and “confidential information”.

With respect to “manufacturing secrets”, the Belgian Supreme Court has ruled in a judgment of 27 September 1943<sup>3</sup> that these comprise “*technical data which, in contributing to the realisation of operations put in place in a factory to obtain a certain product, are liable to provide to the manufacturer technical advantages and which ensure a competitive superiority over his competitors so that the manufacturer obtains an economical benefit by not disclosing the information to his competitors*”. Recent case law still applies this definition.<sup>4</sup>

A broader definition is applied in cases where the courts are seized to rule on whether the misappropriation and use of confidential information of a competitor constitutes an unfair market practice in the sense of Article 95 UMPA. This case law at least implicitly seems to apply the definition provided in Article 39(1) TRIPS, i.e., information that is secret, has commercial value because it is secret, and has been subject to reasonable steps to keep it secret.

In addition to the protection of trade secrets by contracts, the following provisions of Belgian law can be used against the misappropriation or illegitimate disclosure of manufacturing secrets, trade secrets or confidential information:

Criminal law - Article 309 of the Criminal Code sanctions the disclosure with fraudulent intent by employees and former employees of “manufacturing secrets”. The sanctions include imprisonment of three months to three years and a fine of EUR 300 to EUR 12,000.

Article 309 of the Criminal Code stipulates as follows:
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<sup>2</sup> Supreme Court 26 June 1975, *R.C.J.B* 1976, 351

<sup>3</sup> Supreme Court 27 September 1943, *Pas.* I, 358.

<sup>4</sup> Liège Court of Appeal, 2 September 2004, *JLMB*, p.508; Brussels Court of Appeal, 31 March 2009, *I.C.I.P.* 2009, p.137.

<p>In Dutch:</p> <p><i>"Hij die geheimen van de fabriek waarin hij werkzaam geweest is of nog is, kwaadwillig of bedrieglijk aan anderen meedeelt, wordt gestraft met gevangenisstraf van drie maanden tot drie jaar en met geldboete van vijftig euro tot tweeduizend euro".<sup>5</sup></i></p>	<p>In French:</p> <p><i>"Celui qui aura méchamment ou frauduleusement communiqué des secrets de la fabrique dans laquelle il a été ou est encore employé, sera puni d'un emprisonnement de trois mois à trois ans et d'une amende de cinquante euros à deux mille euros".</i></p>	<p>In English (free translation):</p> <p><i>"The individual who communicates in a deceitful or malicious way manufacturing secrets of the factory where he is working or has worked, will be punished with an imprisonment from three months to three years and a penalty fine from fifty euro tot two thousand euro".</i></p>
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This provision only applies to "manufacturing secrets" disclosed by (former) employees or a civil servants with fraudulent intent (i.e., by way of mischief or to provide themselves or another with an undue advantage).

Labour law - In accordance with article 17, 3° AEC, an employee must refrain from revealing, both during the term of the employment contract as well as after its termination, any trade or manufacturing secret, or any secret of a personal or confidential nature that has come to his knowledge in the performance of his duties and belongs to his (former) employer.

<p>Article 17, 3° AEC stipulates as follows:</p>		
<p>In Dutch:</p> <p><i>"De werknemer is verplicht: [...] 3° zowel gedurende de overeenkomst als na het beëindigen daarvan, zich ervan te onthouden: a) fabrieksgeheimen, zakengeheimen of geheimen in verband met persoonlijke of vertrouwelijke aangelegenheden, waarvan hij in de uitoefening van zijn beroepsarbeid kennis kan hebben, bekend te maken".</i></p>	<p>In French:</p> <p><i>"Le travailleur a l'obligation: [...] 3° de s'abstenir, tant au cours du contrat qu'après la cessation de celui-ci: a) de divulguer les secrets de fabrication, ou d'affaires, ainsi que le secret de toute affaire à caractère personnel ou confidentiel dont il aurait eu connaissance dans l'exercice de son activité professionnelle".</i></p>	<p>In English (free translation):</p> <p><i>"The employee is required: [...] 3 ° both during the term of the employment contract as well as after its termination, to refrain from: a) disclosing trade secrets, manufacturing secrets or secrets relating to personal or confidential matters, that has come to his knowledge in the performance of his duties".</i></p>

This provision applies to protection of trade secrets, manufacturing secrets or secrets relating to personal or confidential matters in the framework of the employee-employer relationship. It does however not apply to civil servants. Fraudulent intent is not

<sup>5</sup> Please note that surcharges apply so that, as from 1 January 2012, the amounts of the penalties must be multiplied by 6 (see, Act of 28 December 2011 containing Miscellaneous Provisions (II)).

required. According to a majority of legal scholars, this provision covers both disclosure and use of trade secrets.<sup>6</sup>

Tort law – General provision on torts – Pursuant to article 1382 of the Civil Code, a person who does not behave as any other normally attentive and prudent person placed in the same or similar circumstances (the so-called *bonus pater familias*) and who, by such tortuous behaviour, causes a prejudice, is obliged to repair such prejudice. The misappropriation and use of trade secrets belonging to a third party can constitute a “tortuous behaviour” within the meaning of article 1382 of the Civil Code. This provision also covers third party complicity to breach of contract (*derdemedeplichtigheid aan contractbreuk / tierce-complicité à rupture de contrat*).

Article 1382 of the Civil Code stipulates as follows:		
In Dutch:  <i>"Elke daad van de mens, waardoor aan een ander schade wordt veroorzaakt, verplicht degene door wiens schuld de schade is ontstaan, deze te vergoeden."</i>	In French:  <i>"Tout fait quelconque de l'homme, qui cause à autrui un dommage, oblige celui par la faute duquel il est arrivé, à le réparer."</i>	In English (free translation):  <i>"Any act of a person which causes a prejudice to another, obliges the one by whose fault the prejudice was caused, to repair such prejudice."</i>

Unfair competition law – Article 95 of the UMPA applies the general principles of tort contained in Article 1382 Civil Code in the context of unfair market practices among undertakings. Where the misappropriation and use by an undertaking of trade secrets belonging to another undertaking causes or may cause prejudice to this undertaking, the latter can rely on article 95 of the UMPA.

Article 95 UMPA stipulates as follows:		
In Dutch:  <i>"Verboden is elke met de eerlijke marktpraktijken strijdige daad waardoor een onderneming de beroepsbelangen van een of meer andere ondernemingen schaadt of kan schaden."</i>	In French:  <i>"Est interdit, tout acte contraire aux pratiques honnêtes du marché par lequel une entreprise porte atteinte ou peut porter atteinte aux intérêts professionnels d'une ou de plusieurs autres entreprises."</i>	In English (free translation):  <i>"Any act contrary to fair market practices by which an undertaking causes or is capable of causing prejudice to the professional interests of one or more other undertakings is prohibited."</i>

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

No. Belgian legislation does not expressly recognise trade secrets as an intellectual property right. In addition, some courts even consider that trade secrets should enjoy

<sup>6</sup> I., VAN PUYVELDE, *Intellectuele rechten van werknemers*, Antwerpen, Intersentia, 2012, p. 25.

less legal protection than intellectual property rights as they are not intellectual property rights and are therefore not limited in time.<sup>7</sup>

Consequently, the legislation implementing EU Directive 2004/48 of 29 April 2004 on the enforcement of intellectual property rights ("EU Directive 2004/48") does not apply to trade secrets.

It is also worth mentioning in this respect that, in 2007, the Belgian legislator stated in the Working Papers (*Voorbereidende Werkzaamheden / Travaux préparatoires*) of the Acts transposing EU Directive 2004/48 that the protection of confidential information is an issue requiring urgent attention<sup>8</sup> which should be included in a separate act. Whilst this was a promising statement, no initiatives seem to have been taken since then.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

There is no (uniform) definition of trade secrets under Belgian law. One can distinguish three types of "trade secrets":

- 1) "Manufacturing secrets" within the meaning of Article 309 Criminal Code and Article 17, 3° AEC (see above under question 3(b)). To enjoy protection, the manufacturing secret must be (i) of a merely technical nature; (ii) the property of the employer; (iii) relatively new and not obvious; (iv) secret.<sup>9</sup>
- 2) "Trade secrets" within the meaning of article 17, 3° AEC (see above under question 3(b)). The concept of "secret" within the meaning of this provision is very broad and encompasses both manufacturing and trade secrets, but more generally any secret of a personal or confidential nature that has come to an employee's knowledge in the performance of his duties (e.g., prices applied by the company, customer lists, confidential restructuring plans, information related to future commercial strategies, ongoing projects on research and development, quotations offered to clients, contractual clauses and used contracts, economic and financial information provided to the works council (if not made public), etc.).<sup>10</sup> Case law however expressly confirms that article 17, 3° AEC does not preclude former employees from using, for their own account or that of a third party, skills and experience they have obtained during their employment after the termination thereof<sup>11</sup>.

Secrets relating to personal or confidential matters refer to information that has come to an employee's attention during the course of his employment but which relates to the private lives of other employees of the company or the employer himself or associated with the clientele (e.g., pay slips of other employees of the company).

<sup>7</sup> Liège Court of Appeal, 12 June 2008, *I.R.D.I.* 2009, p.339.

<sup>8</sup> Preparatory works of the Acts on civil and procedural law aspects of the protection of intellectual property rights, DOC 51 2943/001 and 2944/001, Exposé des motifs, [www.lachambre.be](http://www.lachambre.be): "*Il convient de souligner l'urgence qu'il y a à régler la question de la protection des renseignements confidentiels. Une telle protection est non seulement imposée par la directive 2004/48/CE, mais elle est en outre nécessaire pour renforcer la sécurité juridique au profit des justiciables, dans le respect du principe fondamental du contradictoire.*" (Free English translation: "*It should be stressed that it is urgent that the issue of the protection of confidential information is addressed. This is not only a requirement imposed by Directive 2004/48/EC, but it is also necessary to improve legal certainty, having regard to the fundamental principle of contradictory debate*")

<sup>9</sup> L., CORNIL, M., WYCKAERT, C., GRENSON, H., DE BAUW, D., DEWANDELEER, "Het zakengeheim: een voorstelling in vier bedrijven", *Cahier Jur.* 2011, afl. 1, p. 5.

<sup>10</sup> L., CORNIL, M., WYCKAERT, C., GRENSON, H., DE BAUW, D., DEWANDELEER, "Het zakengeheim: een voorstelling in vier bedrijven", *Cahier Jur.* 2011, afl. 1, p. 6.

<sup>11</sup> Brussels Labour Court, 23 May 2006, *J.T.T.* 2007, p.99; President of the Brussels Commercial Court, 2 November 1994, *Jaarboek Handelspraktijken en Mededinging*, 1994, p.401.

During the term of employment, the disclosure of trade secrets constitutes a ground for termination of the employment contract for serious cause. After departure from the company, the employee can still be held liable on the basis of this provision as well as the general tort law provision of article 1382 of the Civil Code.

3) "trade secrets" in the context of other civil proceedings

There is no uniform legal definition of a trade secret applicable to the other circumstances (i.e., civil liabilities in general). For a definition, guidance can however be sought in

- (i) Article 39(2) TRIPS;
- (ii) the definition contained in Article 1(i) of EU Regulation 772/2004;
- (iii) the definition contained in section 3.2. of Commission notice 2005/C 325/07; and
- (iv) the decisions of the EU Court of First Instance (previously General Court) of 18 September 1996 (Case T-353/94, *Postbank v Commission*, §87) and of 12 October 2007 (Case T-474/04, *Pergan Hilfsstoffe für industrielle Prozesse GmbH v Commission of the European Communities*).

Without entering into the details, a trade secret must not necessarily be technical in nature but can be (i) any knowledge belonging to a company; (b) that is not well known; and (c) grants that company a competitive advantage<sup>12</sup>.

In cases where the misappropriation and use of confidential information of a competitor constitutes an unfair market practice in the sense of Article 95 UMPA, Belgian courts have applied the definition provided in Article 39(2) TRIPS and recognised protection for detailed customer lists, data in respect to the date that maintenance and repairs were conducted for particular clients, the spare parts delivered to a particular client<sup>13</sup> and confidential e-mail correspondence<sup>14</sup>.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

- Adopt an harmonized and uniform definition and terminology of "trade secret", "confidentiality" and "confidential information" in civil matters;
- Address the problems resulting from the fact that trade secrets are not considered as "intellectual property" and are, therefore, not limited in time, which makes it difficult to obtain a cease-and-desist order or a search and seizure order with respect to trade secrets.
- Introduce rules/guidelines concerning the balance to be made between the rights of the trade secret owner and the rights of the defendant (rights of defence);
- Adopt a clear set of rules on how to deal with confidential documents in regular court proceedings.

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<sup>12</sup> Pres. Brussels Commercial Court 4 June 2008, *Jaarboek Handelspraktijken en Mededinging* 2008, 615 ; Pres. Commercial Court Namur 3 October 1991, *Jaarboek Handelspraktijken* 1991, 447.

<sup>13</sup> Ghent Court of Appeal, 18 February 2004, *DCCR* 2005, p.67.

<sup>14</sup> Ghent Court of Appeal, 30 March 2009, *DAOR* 2009, p.180.

A European harmonized and common legislation for the definition and effective protection of trade secrets would certainly be feasible and positive to rectify the above inadequacies and further improve the current set of rules.

The provisions of the UMPA discussed above, and in particular the "catch-all" provision of Article 95 UMPA is considered as a positive asset to protect trade secrets in Belgium.

We have no knowledge of current proposals for new legislation in relation to trade secrets.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

(a) Supreme Court 22 January 2008, *Handelspraktijken & Mededinging* 2008, p. 801

In this decision, the Supreme Court stated that, when there are ongoing antitrust proceedings before the Competition Council, the documents containing trade secrets belonging to the companies involved cannot be disclosed to third parties, even if these third parties intervene in the proceedings. In particular, the Supreme Court stated as follows (free English translation): *"given the right to be heard of third parties showing a sufficient interest, the Competition Council shall disclose to those third parties all or part of the reasoned report of the investigation file -with the exception of confidential exhibits or exhibits that remain internal to the Council. This applies to the extent that law requires access to allow the third to know its position in a useful way about the proposed merger and its impact on competition. It is up to the Council to determine, following the hearing the parties as the case may be, to decide what information should be communicated in that context, and what documents are confidential or internal to the Council"*.

(b) Liège Court of Appeal, 12 June 2008, *I.R.D.I.* 2008, vol. 4, p. 339

A seller of paint and paint products brought a cease-and-desist action against a competitor for putting on the market identical or very similar paint and paint products which the latter had been able to (re)produce using the former's secret formula which he had acquired illegally in breach of contractual obligations. The Liège Court of Appeal held this use of the illegally acquired trade secrets an act contrary to honest commercial practices within the meaning of the UMPA. It considered that, by doing so, the competitor had not only benefited from the experience of the seller and its research activities, thus saving him costs and time needed to obtain this result, but his misconduct had also given him the advantage to market a whole range of products that were identical (or nearly identical) to those of the seller, which he could otherwise only have done in an imperfect manner while incurring important research costs and spending time for experimenting through copying.

The Court however refused to issue the requested cease-and-desist order on the basis that the holder of a trade secret cannot enjoy similar, let alone more rights, than the holder of a patent. Indeed, a cease-and-desist order can last indefinitely, which would give trade secrets a broader protection than traditional IP rights such as patents. However, even a protection limited in time equaling the term of protection of a patent would still not have been acceptable, since the holder of a trade secret does not need to fulfill the same conditions and formal requirements (disclosure, payment of fees, etc.) as the holder of a patent.

Since the action filed by the plaintiff was a cease-and-desist action, the Court could not award damages. The plaintiff therefore had to bring an additional claim for damages in regular proceedings on the merits.

- (c) Brussels Court of Appeal, 10 January 2008, *Jaarboek Handelspraktijken & Mededinging* 2008, p. 448

In the framework of a public tender issued by the Belgian police, the plaintiff had submitted a confidential list of employees and specialists that were going to participate in the performance of the tender. Because the Belgian police had subsequently disclosed this confidential information to a competitor also participating in the tender, the trade secret owner filed a cease-and-desist action against the Belgian police and the competitor. The Brussels Court of Appeal held that the list constituted a trade secret belonging to the plaintiff and that its disclosure amounted to an act of unfair competition. The Court of Appeal consequently ordered the Belgian police to refrain from contacting any of the persons mentioned on the list for a period of two years.

- (d) Antwerp Court of Appeal, 27 September 2007, *Jaarboek Handelspraktijken & Mededinging* 2007, p. 527

In this case, the plaintiff argued that the defendant had misappropriated and misused its confidential information (in particular, customer lists and commercial/pricing information). The plaintiff argued that this information was confidential and was disclosed by a former employee of the plaintiff who had subsequently been hired by the defendant. The court appointed an expert, who stated that the former employee had indeed disclosed the confidential information to the defendant. As the court of first instance, the Antwerp Court of Appeal confirmed Antwerp Court of First Instance's ruling and held that said disclosure amounted to an act of unfair competition. However, the Court of Appeal refused to grant a cease-and-desist order, and thus refused to order the defendant to stop using the customer list and other data, even for a limited period of time. The Court in particular held that the plaintiff had to file separate proceedings on the merits to obtain damages for the prejudice suffered.

Other relevant cases include:

- (e) Brussels Court of Appeal, 31 May 2010, *I.R.D.I.* 2010, vol. 4, p. 406.

In this case, the Brussels Court of Appeal held that, given the nature of the search and seizure proceedings, the defendant had unjustifiably invoked trade secrets to oppose the disclosure by the court-appointed expert of the identity of a number of suppliers that had supplied the defendant with counterfeit goods.

- (f) Brussels Court of Appeal, 24 March 2010, *I.R.D.I.* 2010, vol. 2, p. 157.

In a case involving the distribution of the pharmaceutical product Exacyl, the Brussels Court of Appeal held that, if a file contains trade secrets and confidential information and the use of it by another company would be unlawful, the trade secret owner may still turn to the judge ruling on the merits of the case, or if necessary, to the judge in summary proceedings or in a cease-and-desist action, to request a measure to protect its rights.

- (g) Ghent Court of Appeal, 19 February 2007, *Jaarboek Handelspraktijken & Mededinging* 2007, p. 425.

The Ghent Court of Appeal confirmed that prospecting and recruiting customers, staff and suppliers of a competitor is in itself lawful, even when this is done by a former employee. This principle stems from the freedom of competition. A former employee shall not be prohibited from making use of the training, professional knowledge and experience he has gained from his former employer, even when this knowledge relates to its customer base. Systematically approaching customers that he had previously approached on behalf of his former employer, is not in itself unlawful.

(h) Antwerp Court of Appeal, 7 June 2007, *Jaarboek Handelspraktijken & Mededinging* 2007, p. 520.

The Antwerp Court of Appeal held that the unlawful recruitment of customers by a former employee of a banking institution in favour of other bank branches cannot be inferred from the mere fact that many accounts had been closed at the former banking institution, probably at the other bank branches' benefit.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

- Belgian report for the AIPPI, Question Q215, drafted by D. Kaesmacher, P. Maeyaert, A. Mottet, G. Philipsen, L. Ryckeboer and K. Neefs on 2 April 2010 (<https://www.aippi.org/download/committees/215/GR215belgium.pdf>);

Q&A regarding the protection of trade secrets through IPR and unfair competition law in Belgium

- BALLON, G.L., "Knowhow en zijn bescherming" in *Liber Amicorum Roger Blanpain*, Brugge, die Keure, 1998, 673-694;

Standard work regarding the protection of knowhow under Belgian law.

- BUYDENS, M., *Droit des brevets d'invention et protection du savoir-faire*, Larcier, Brussel, 1999, 421 p.

Standard work regarding the protection of patents and knowhow under Belgian law.

- CASSIERS, V., « La protection du savoir-faire de l'entreprise » in X., *Le patrimoine intellectuel de l'entreprise. Protection des actifs incorporels de l'employeur et droits et obligations des travailleurs*, 53-120;

Overview of the protection of knowhow under Belgian law.

- CORNIL, L., WYCKAERT, M., GRENSON, C., DE BAUW, H., DEWANDELEER, D., "Het zakengeheim: een voorstelling in vier bedrijven", *Cah.jur.* 2011, afl. 1, 2-12;

Overview of the protection provided for trade secrets and confidential information under Belgian law.

- DE VISSCHER, F., « Brevets et savoir-faire » in X., *Les droits intellectuels*, Larcier, Brussel, 2007, 632 p.

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- VAN LENNEP, R., *De geheimhouding*, Antwerpen, Standaard, 1950, 271 p.

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- VAN MENDEL, A., "De bescherming van fabrieksgeheimen of technische know-how naar Belgisch recht", *RW* 1982-83, 2002-2022.

Article regarding the protection of trade secrets and technical know-how under Belgian law.

- VAN PUYVELDE, I., *Intellectuele rechten van werknemers*, Antwerpen, Intersentia, 2012, 172 p.

Comprehensive work on intellectual property rights for employees.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

Much will obviously depend on the legal basis invoked:

1) Criminal proceedings – Article 309 Criminal Code

The criminal offence under article 309 of the Criminal Code requires evidence demonstrating that the following four conditions are met:

- There is a manufacturing secret (as defined above under question 3);
- Disclosure to a third party (implying that the use of the secret merely for its own account, without the secret being divulged, is not penalised);
- The disclosure is made by an employee or a former employee of the company of which manufacturing secrets have been disclosed;
- The employee or former employee acted with fraudulent intent.

Importantly, the owner of the trade secret must demonstrate that he has taken reasonable steps to keep it secret.<sup>15</sup>

## 2) Labour law – Article 17, 3° AEC

The following elements must be established in order to invoke this provision:

- The defendant is an employee or former employee;
- The defendant has disclosed secrets of the employer within the meaning of article 17, 3° AEC (see definition above and see also the legal doctrine<sup>16</sup>), which includes the trade secrets of the (former) employer. Disclosure means disclosure to persons who had no knowledge of the secret (including persons within the company or group of companies).

Fraudulent intent is not required. The owner of the trade secret must also not demonstrate that he has taken reasonable steps to keep it secret.

## 3) Law of tort – General provision on torts – Article 1382 Civil Code

In order to start proceedings against a company or an individual for misappropriation, unauthorized use or disclosure of trade secrets, the plaintiff must demonstrate that the three following conditions are met:

- The defendant has committed a civil “fault” (tortuous behaviour). A “fault” is a behaviour which is not consistent with the behaviour of a normally attentive and prudent person placed in the same or similar circumstances, and includes negligence. The first element that must be established is therefore that the defendant, by disclosing, using etc. the trade secrets, did not act as a normally attentive and prudent person placed in the same or similar circumstances;
- The behaviour of the defendant – the disclosure, use etc. of the trade secret – has caused a prejudice to the plaintiff;
- There is a causal link between the tortuous behaviour and the prejudice.

## 4) Unfair competition law – Article 95 UMPA

In order to start proceedings against an undertaking for unfair practices resulting from the misappropriation, unauthorised use or disclosure of trade secrets, the plaintiff must demonstrate the following:

- The defendant and the plaintiff are both “undertakings” within the meaning article 2, 1° of the UMPA, i.e., an individual or a company durably involved in an economic activity;
- The defendant committed an act contrary to fair market practices. The misappropriation, disclosure or use of trade secrets of another undertaking (usually a competitor) is considered by case law and legal doctrine an act contrary to such practices;
- This misappropriation, disclosure or use causes or may cause prejudice to the professional interests of the plaintiff (i.e., the other undertaking).

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<sup>15</sup> I., VAN PUYVELDE, *Intellectuele rechten van werknemers*, Antwerpen, Intersentia, 2012, p. 34.

<sup>16</sup> J. HERMAN, “Goede trouw van de werknemer bij de uitvoering van de arbeidsovereenkomst: discretieplicht en concurrentieverbod”, *Or.* 1988, 222.

## 2. What civil remedies are made available? Are the remedies cumulative?

The following civil remedies are available:

### (a) Summary injunctions and available reliefs

The holder of the misappropriated/misused trade secret can seek preliminary relief in the framework of summary proceedings or on the basis of Article 19, 2<sup>nd</sup> indent Judicial Code in the framework of a regular action on the merits, if it can establish that:

- The matter is urgent (whereby the invoked urgency may not result from the trade secret holder's own negligence);
- Its rights are *prima facie* valid, which means that there is an obvious violation of article 1382 Civil Code;
- The relief sought is a preliminary measure that does not affect the merits of the case (e.g. a prohibition to disclose).
- In exceptional cases (extreme urgency), an *ex parte* motion can lead to relief in summary proceedings.

The preliminary relief can consist of<sup>17</sup>:

- a court order to (temporarily) stop using or disclosing the trade secret (on the problems faced when asking for such reliefs, see below);
- precautionary measures;
- the appointment of an expert;
- hearing witnesses;
- etc.

All these remedies are cumulative. The winning party may also claim reimbursement of reasonable attorney and expert fees (the amounts of which are determined by law).

### (b) Actions on the merits and available reliefs

Cease-and-desist action (*vordering tot staken / action en cessation*): If the action is based on article 95 UMPA, i.e., on unfair trade practices, a cease-and-desist action is available provided that the claim is not based on a breach of contract by defendant. The cease-and-desist action is a court decision on the merits handed down by the President of the Commercial Court under an expedient procedure to prevent a defendant from committing further infringements. The advantage of this action is that it results, within a few weeks to a couple of months, in a decision ordering the defendant to cease-and-desist from further infringements. The Court can issue a cease-and-desist order and, as the case may be, accompanying measures that can contribute to the cessation of the infringing acts (e.g., the publication of the court decision or an order on the defendant to provide all information on the origin and/or distribution channels of the trade secret). Such an order can be linked to the payment of penalties in the event of non-compliance. In practice, it will also be possible for the successful party to claim reimbursement of reasonable attorney and expert fees from the defendant (the amounts of which are determined by law).

All these remedies are cumulative.

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<sup>17</sup> See, Article 584 Judicial Code.

An important difference with the summary proceedings is that the plaintiff does not have to demonstrate urgency. However, in contrast with the position in the ordinary procedure on the merits, the judge cannot impose damages in a cease-and-desist action. Moreover, it does not easily lend itself to the intervention of a court-appointed expert.

Regular action on the merits: the trade secret holder can also file a regular action on the merits, which is the standard procedure of civil litigation, claiming that a trade secret has been misappropriated or disclosed (in violation of one of the above mentioned provisions). In such a case, the trade secret holder can request the court to issue an order prohibiting the further use or disclosure of the trade secret and, as the case may be, accompanying measures that can contribute to the cessation of the infringing acts (e.g., the publication of the court decision or an order on the defendant to provide all information on the origin and/or distribution channels of the trade secret). In addition, the trade secret holder can request the court to award damages (including compensation for the defendant's unjust enrichment resulting from the trade secrets violation, if applicable) and claim reimbursement of reasonable attorney and expert fees from the defendant (the amounts of which are determined by law).

All these remedies are cumulative.

It is worth noting that claiming a cease-and-desist order, or any measure aimed at stopping the disclosure or use of trade secrets, will face serious problems:

- The first problem is that, pursuant to article 870 Judicial Code and article 1315 Civil Code, the plaintiff must bring sufficient proof of its claim, which implies that he must file the documents establishing that its claim is well founded. In trade secret matters, this usually implies that the plaintiff must describe his trade secret in his brief of arguments and in the court's file, which contradicts the very nature of the trade secret. In the course of the proceedings, the plaintiff can even be forced, pursuant to article 877 Judicial Code to file a document that is considered relevant by the court. Again, this can lead to the (unwanted) disclosure of the trade secret since, in principle, court hearings (and decisions) are public.
- The second problem arises from the fact that the judgment prohibiting a further use or disclosure of a trade secret, must describe the trade secret at stake (the decision prohibiting the use of "information X" would not be applicable and would contravene article 11 Judicial Code). If the judgment describes the trade secret, this will disclose it again.
- The third problem with cease-and-desist orders concerning trade secrets results from the fact that trade secrets are not protected by intellectual property rights that are limited in time. The prohibition to use the trade secret would thus last for ever, hence granting the holder of a trade secret a broader protection than most IP right holders. Case law has highlighted this problem and therefore refuses to issue orders prohibiting the use of misappropriated trade secrets.<sup>18</sup>

Please note that, if the action is brought against an employee based on the AEC, the violation of its article 17, 3° can lead to the dismissal of the employee for serious breach of the employment contract (if the action is brought against a former employee, the latter can be held liable on the basis of article 1382 Civil Code).

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

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<sup>18</sup> Liège Court of appeal, 12 June 2008, *I.R.D.I.* 2008, p.339.

No. *Ex parte* orders to search premises and computer systems for misappropriated data and to require defendant to provide information on such data are not available to the holders of trade secrets (sometimes referred to as a search and seizure order)<sup>19</sup>.

Pursuant to article 1369*bis*/1 and following Judicial Code, this type of *ex parte* orders are only open to holders of intellectual property rights, i.e., patents, supplementary protection certificates, plant variety certificates, topographies of semiconductor products, designs, trademarks, geographical indications, appellations of origin, copyright, neighboring rights and the rights of producers of databases.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease-and-desist action?

1. Interim relief: The holder of the misappropriated/misused trade secret can seek preliminary relief in the framework of summary proceedings or on the basis of Article 19, 2<sup>nd</sup> indent Judicial Code in the framework of a regular action on the merits (see question 2(a) above);

2. Cease-and-desist action (expedite action on the merits): the holder of a misused/misappropriated trade secret can also bring a law suit on the basis of article 95 UMPA (see questions 1(4) and 2(b) above).

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

As trade secrets are not protected by intellectual property rights (which are limited in time), any final injunction deciding that the trade secret has been misappropriated/misused and, therefore, that such trade secret cannot be used anymore by the defendant, would result in a prohibition for an indefinite period of time. The prohibition to use the trade secret would thus last for ever, which would grant the holder of a trade secret a broader protection than most IP right holders.

Case law has highlighted this problem and therefore refused to issue orders prohibiting the use of misappropriated trade secrets.<sup>20</sup>

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

The cost and duration of legal proceedings are difficult to assess as they will depend on the circumstances of each particular case, including the complexity of the case, the number of parties involved, the arguments brought by the parties, the number of rounds for the exchange of briefs of arguments, the size of the file and the need to translate documentary evidence into the language of the proceedings, whether the judgment in first instance is appealed, etc.

However, in average, regular proceedings on the merits last 18 to 24 months from claim to final judgment in first instance. In average, expedite proceedings on the

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<sup>19</sup> See, Ghent Court of appeal, 1 December 2008, *I.R.D.I.* 2009, vol. 1, p.58; see also Brussels Court of Appeal 6 April 2001, *I.R.D.I.* 2001, vol. 4, 306 and F., PETILLION, "Knowhow is niet vatbaar voor beschrijvend beslag inzake namaak – Het is ondanks verordening 772/2004 echter geen intellectueel recht", *I.R.D.I.* 2009, vol. 1, 64; *contra*: C. DE MEYER, "Beschrijvend beslag en knowhow", in *Liber Amicorum Ludovic De Gryse*, Larcier, Ghent, 2010, 679 p

<sup>20</sup> Liège Court of appeal, 12 June 2008, *I.R.D.I.* 2008, p.339.

merits (i.e., a cease-and-desist action) last from a few weeks to a couple of months from claim to final judgment in first instance. A similar timeframe applies for summary proceedings.

The costs of proceedings will consist of:

1. Court costs, the amount of which will depend on the amount in dispute;
2. Attorney fees: these will depend on the circumstances of each particular case;
3. Procedural indemnity: these amounts are determined by law and relate to the reimbursement by the losing party of reasonable attorney and expert fees incurred by the winning party;
4. Tax on court decisions: 3% of the amount in dispute (if exceeding EUR 12,500)<sup>21</sup> (not applicable to judgments in summary proceedings); and
5. Other costs: bailiff's costs for serving the writ and notifying the judgment, expert reports, translations, travelling expenses for attending the hearings.

(d) Are cases involving technical trade secrets heard by specialist judges?

No. The court may, however, appoint an expert if technical or financial advice is required (e.g. on the value of the trade secret at hand<sup>22</sup>).

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

1. Article 148 of the Belgian Constitution establishes the principle that civil proceedings are public. This principle can also be found in Article 6.1 of the ECHR. As hearings are public, any third party can attend the hearing and hear the arguments and explanations brought by the parties, including trade secrets.

However, the Court can order that the hearing will not be public if the "*public access can endanger morals or public order*", but we have no knowledge of any such decision in civil proceedings.

2. Pursuant to Article 870 Judicial Code and Article 1315 Civil Code, each party has to prove its claims and file the documents in support of its claims. This implies that the plaintiff who alleges that a trade secret has been misappropriated/misused, must prove that it owns a trade secret, what this secret is and that it has indeed been misused/misappropriated by the defendant. Otherwise:

- the court can dismiss the claim for lack of evidence<sup>23</sup>;
- the court can also force the plaintiff to file relevant evidence. Article 871 Judicial Code stipulates that "*the court can order any litigating party to file the elements of proof in its possession*". In particular, article 877 Judicial Code provides that the court can order the filing of a relevant document: "*if there are precise, serious presumptions that a party or a third party has in its possession a document containing the proof of a relevant fact, the court can order that this document or a certified copy is to be filed with the court's file*". The word "document" encompasses written documents but also drawings, pictures, etc.

It results from article 879 Judicial Code that the court issuing an order on the basis of article 877 Judicial Code can grant measures for protecting the trade

<sup>21</sup> Articles 35 and 143 of Code on registration, mortgage and court fees.

<sup>22</sup> Antwerp Court of Appeal, 20 November 2007, *P&B* 2009, vol. 3, p. 109.

<sup>23</sup> Cass., 10 December 1976, *Pas.* I, 410.

secrets. In particular, confidential elements can be blanked out<sup>24</sup>, provided however that this does not make the document impossible to understand or worthless. A balance has to be made by the court between the necessity to obtain the relevant evidence and the defendant's legitimate interests to the protection of its trade secret.

The court can also rule that only certain persons/services within the plaintiff's or defendant's company will be allowed to have access to the documents containing the trade secrets.

The court can also decide that some confidential information will not be disclosed in the decision (limiting thereby the public disclosure of the trade secrets).<sup>25</sup>

It is also admitted in Belgian doctrine that a party can refuse to submit certain documents, when it has a "legitimate reason" to do so. This principle can be derived from Article 882 Judicial Code, which states the following: "*A party or a third party, who refuses, without a legitimate reason, to produce the requested document or a copy thereof, according to the decision of the judge, can be condemned to the amount of damages which could belong to that party*". This legitimate reason can be derived from the severe consequences that would be brought up when disclosing the document comprising the trade secrets to the defendant. Again, a balance has to be made by the court between these legitimate interests and the plaintiff's legitimate interests. The court can decide that, taking into account the parties obligation to collaborate to the proof and the right of defence of the plaintiff, the documents must nevertheless be filed, even if they contain trade secrets.<sup>26</sup> Such a decision cannot be appealed.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

This information is not provided in Belgium. There are no such statistics available.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

N/A

5. What defences are available to the defendant in a trade secrets action?

The defendant is the person who is sued for having allegedly misappropriated, illegitimately disclosed or misused a trade secret.

Basically, the defendant can argue that:

- there is no (sufficient) proof of the alleged misappropriation, illegitimate disclosure or misuse of the trade secrets;
- it has developed/invented the "trade secret" himself (see below question 9);

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<sup>24</sup> Pres. Antwerp Commercial Court, 19 February 1987, *Jaarboek Handelspraktijken.*, 1987, I, p. 225; Pres. Ghent Commercial Court, 8 January 1990, *Ing.-Cons.* 1990, p. 60.

<sup>25</sup> Brussels Court of Appeal, 20 June 2008, ICIP 2008, p.566 wherein the serotypes of GSK's vaccine were blanked out.

<sup>26</sup> Liège Court of Appeal, 6 March 2000, *J.L.M.B.* 2000, p. 1728 ; A., KOHL, "Les mesures d'instruction" in X., *Actualités et développements récents en droit judiciaire*, Brussels, Larcier 2004, p.207 and following.

- he has received the trade secret in good faith from a third party, outside of the conditions of any third party's liability (see above question 2 and below question 9);
- the "trade secret" was trivial and/or well known within the trade. It does not match with the definition of a trade secret.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

This will depend on the legal basis that is invoked. For example, the adoption of adequate measures to protect secrecy is relevant to introduce a claim on the basis of Article 309 Criminal Code, but not on the basis of Article 17, 3° AEC. The commercial value will have more importance if a claim is based on Article 95 UMPA. The level of secrecy will also depend on the type of confidential information.

7. As to award of damages:

(a) What are the available options?

A party seeking compensation for the prejudice it has incurred, will have to establish the amount of the said damages (including compensation for the defendant's unjust enrichment resulting from the trade secrets violation). In case the damages incurred cannot be determined, the court will have to apply an *ex aequo et bono* calculation of damages (Similar to that provided for in Article 52, §5 of the Belgian Patent Act and Article 86bis of the Belgian Copyright Act).

(b) What are the criteria to determine and calculate damages?

Under general tort law, the injured party is entitled to full compensation for damages suffered (including loss of profits). Expert evidence may be helpful to support this claim. In addition, the injured party may claim interests on this amount for the period between the occurrence of the harmful event (i.e., the illegitimate disclosure of the trade secrets) and the pronouncement of the judgment, as well as late payment interests as from the pronouncement of the judgment until the actual payment of the damages. Other heads of damage include currency devaluation and benefit accrual.

(c) Are punitive damages available for breach of trade secrets?

Belgian civil law does not provide for punitive damages.

Between contracting parties, a penalty clause can be agreed upon which determines the amount of damages due in case confidential information is illegitimately disclosed. Pursuant to Article 1231, §1 of the Civil Code, however, a court may reduce the penalty in case the amount does not correspond to the amount of damages the parties could have reasonably foreseen at the time the agreement was concluded.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

Damages are awarded on a case by case basis, depending on the damages effectively proved by the owner of trade secrets. There are however no statistics or other information available to confirm the average quantity of awarded damages in civil proceedings in Belgium.



8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Yes. Criminal sanctions are only provided for against persons "*working or having worked in a factory*" and Article 17 AEC only applies to employees.

Furthermore, Belgian law distinguishes between contractual liability and liability *ex delicto*. As explained above, an expedited procedure on the merits cannot be conducted on the basis of a breach of contract. However, the remedies against both types of violations do not substantially differ.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

With respect to criminal remedies, the moral element (fraudulent intent) will not be present to establish a criminal offence in case the person who obtains trade secrets has done so in good faith. In addition, Article 309 Criminal Code only sanctions the illegitimate disclosure and communication of trade secrets and not the misappropriation as such. Therefore, only violations committed in bad faith, i.e. in a malicious or deceitful way, are sanctioned from a criminal law perspective.

In civil proceedings, remedies against an individual having obtained a trade secret in good faith are, to our knowledge, also not available. All legal provisions mentioned under question 3 require at least negligence for the use of the information to be illegitimate.

(b) A person who autonomously developed the same information?

No. The onus is on the owner of the trade secrets to prove that his secrets have been misappropriated, illegitimately disclosed or misused by the defendant. The defendant may however raise a defence and argue that he has developed/invented the "trade secret" himself. Indeed, if different employers independently developed the same information, they are entitled to use the same trade secret simultaneously in a confidential manner until the information is disclosed.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(a) While the employee is still employed?

In accordance with article 17, 3° AEC, an employee must refrain from revealing any trade or manufacturing secret, or any secret of a personal or confidential nature that has come to his knowledge in the performance of his duties and belonging to the employer. This obligation also follows from article 1134 Civil Code which imposes a general obligation on contracting parties to act in good faith when executing the contract.

In addition, Article 309 Criminal Code remains available to the employer ("*The individual who communicates in a deceitful or malicious way manufacturing secrets of the factory where he is working or has worked, will be punished with an imprisonment from three months to three years and a penalty fine from EUR 50 to EUR 2000*" - see above question 3).

(b) Once the employee has left his employment?

Article 17, 3° AEC and Article 309 Criminal Code also apply to former employees. According to a majority view, Article 1134 Civil Code does not apply after the expiration of the employment contract.<sup>27</sup>

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Example (in French) - while the employee is still employed:

*« 2.1. L'Employé reconnaît que toutes données, savoir-faire, formules, compositions, procédés, documents, études, schémas, photographies, plans, graphiques, dessins, spécifications, équipements, échantillons, rapports, listes de clients, informations relatives aux clients, prix, découvertes, résultats de recherche ou de tests, inventions, et toute autre information quelconque qui lui sera divulguée dans le cadre de ce contrat de travail ou à l'occasion de celui-ci par l'Employeur ou par toute société du groupe auquel l'Employeur appartient, ont un caractère confidentiel ("Informations Confidentielles"). L'Employé reconnaît que les Informations Confidentielles ont une grande valeur pour l'Employeur et/ou pour les sociétés du groupe auquel il appartient.*

*Ne sera pas considérée comme une Information Confidentielle, toute information dont l'Employé peut prouver:*

- Qu'elle était dans le domaine public avant que l'Employeur la lui ait dévoilée;*
- Qu'elle est entrée dans le domaine public, sans action ou omission de l'Employé, après que l'Employeur la lui ait divulguée;*
- Qu'elle était en possession de l'Employé au moment où elle a été divulguée à l'Employé par l'Employeur;*

*2.2 L'Employé s'engage à considérer et conserver toute Information Confidentielle comme strictement confidentielle et à ne pas la divulguer ni la mettre à la disposition d'un tiers sans l'accord écrit préalable de l'Employeur. L'Employé n'utilisera les Informations Confidentielles que dans le cadre de l'exécution de son contrat de travail pour l'Employeur et cessera de les utiliser dès que ce contrat prendra fin.*

*2.3 Toute violation du présent article par l'Employé sera considérée par l'Employeur comme un motif grave justifiant la rupture immédiate du contrat, sans préjudice du droit de l'Employeur de réclamer la réparation intégrale du préjudice qu'il aura subi. L'Employé reconnaît également que les obligations visées aux articles 2.1 et 2.2 ci-dessus s'étendent également à tout type d'informations appartenant soit à des clients, soit aux fournisseurs, soit à d'autres relations d'affaires de l'Employeur, soit encore à des parties tierces qui les auraient remis, divulgués ou confiés à l'Employeur ou à l'Employé. »*

Example (in English) - while the employee is still employed:

*"2.1. The Employee acknowledges that all data, know-how, formulas, compositions, methods, documents, studies, schemes, photographs, maps, graphs, drawings, specifications, equipment, samples, reports, customer lists, customer information, prices, discoveries, research findings or tests, inventions, and any other information that will be disclosed as part of the employment contract or in connection thereof by the Employer or any group company to which the Employer belongs, are confidential ("Confidential Information"). The Employee acknowledges that the Confidential*

<sup>27</sup> I., VAN PUYVELDE, *Intellectuele rechten van werknemers*, Antwerpen, Intersentia, 2012, p. 32; contra: A., VAN BEVER, "Confidentialiteit, concurrentie en afwerving: op de grens van civiel recht en arbeidsrecht", in X., *Arbeids- en socialezekerheidsrecht*, Brugge, Die Keure, 2010, p. 20.

*Information is of great value to the Employer and/or group companies to which he belongs.*

*Will not be considered Confidential Information, any information means of which the employee can prove:*

- that it was already in the public domain before the Employer has revealed it to him;*
- that it has entered the public domain, without any action or omission of the Employee, after the Employer had revealed it to him;*
- that it was in already in the possession of the employee when it was disclosed to the Employee by the Employer;*

*2.2 The Employee agrees to treat and maintain all Confidential Information as strictly confidential and not to disclose it or make it available to a third party without the prior written consent of the Employer. The Employee shall use Confidential Information in connection with the execution of his employment contract for the Employer and stop using it as soon as this contract expires.*

*2.3 Any violation of this provision by the employee will be considered by the Employer as a serious cause justifying immediate termination, without prejudice to the right of the Employer to claim full compensation for the damage he has suffered. The Employee acknowledges that the obligations under Articles 2.1 and 2.2 above shall also extend to any type of information belonging either to customers or suppliers or other business relationships of the Employer or even to third parties who have submitted, disclosed or entrusted such information to the Employer or Employee.”*

Example (in French) - once the employee has left his employment:

*« M. X s'engage de s'abstenir de divulguer ou d'utiliser à son avantage ou au profit de toute autre personne ou entité les informations qui sont confidentielles ou appartenant à la Société ou toute Société du Groupe dont il aurait eu connaissance dans l'exercice de son emploi auprès de la Société, et à restituer en bon état à la Société le jj-mm-aa à la fermeture des bureaux au plus tard tous les objets et matériels appartenant à la Société, en ce compris sans y être limité : tous documents (quelle que soit la forme, que ce soit en version papier ou électronique), logiciels informatiques, dossiers, appareils, enregistrements, données, notes, rapports, propositions, contrats (en projet et en version finale), listes, correspondances, listes de conseillers, clients et consommateurs, memoranda, spécifications, dessins, modèles, plans et autres documents de quelque nature que ce soit, en ce compris les disques d'ordinateur et impressions, faites ou compilées par elle ou livrés à elle pendant son Contrat de travail qui concerne les affaires, les finances, les clients ou les activités de la Société et/ou les copies de ceux-ci, appartenant à la Société et/ou reçus de la Société, en ce compris (sans y être limité) tous matériels préparés par elle au cours de son Contrat de travail au service de la Société, nonobstant le droit de chacune des parties de divulguer toute information qui pourra être exigé par la loi. Toutefois, si M. X est légalement tenu de fournir ou de divulguer de telles informations, M. X s'engage lui-même à en aviser immédiatement M. X et de remettre immédiatement à la Société une copie de l'information qu'il était tenu de fournir ou de divulguer. M. X s'engage également de coopérer avec la Société ou toute Société du Groupe, si la Société ou la Société du Groupe souhaite contester une ordonnance du tribunal ou un processus par lequel cette information serait demandée. »*

Example (in English) - once the employee has left his employment:

*"M. X agrees that he will not disclose, or use for his benefit or the benefit of any other person or entity, any information which he has obtained in connection with his employment with the Company which is confidential or proprietary to the Company or any Group Company and undertakes to return in good condition to the Company on dd-*

*mm-yy at COB at the latest all company property and materials, including but not limited to: any documents (in any form, such as paper or electronic), software, files, devices, records, data, notes, reports, proposals, agreements (in draft and final form), lists, correspondence, lists of advisers, clients and customers, memoranda, specifications, drawings, blueprints, plans, and other documents of whatsoever nature including computer disks and printouts made or compiled by or delivered to her during her employment regarding the business, finances, customers or affairs of the Company and/or reproductions of any such items, belonging to the Company and/or received from the Company, including (but not limited to) all materials prepared by her during the course of her employment by the Company, notwithstanding the right of either party to disclose any such information as may be required by law. However, M. X agrees that if he is required by law to produce or divulge such information otherwise prohibited from disclosure he will immediately notify M. X and will immediately provide to the Company a copy of the information that he has been required to provide. M. X also agrees that he will cooperate with the Company or any Group Company if the Company or any Group Company wishes to contest any legal order or process requiring the provision of information by M. X."*

Such clauses are generally enforceable (see below under question 12). Moreover, Belgian courts do not distinguish between 'real' trade secrets and general information that happens to be confidential.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

Both civil and criminal remedies include injunctions, cease-and-desist orders and an award of damages.

In addition, criminal remedies include imprisonment and fines, and with respect to companies in particular the confiscation of goods, an order to stop the infringing acts (even if part of the corporate purpose), the (temporary) closure or even the winding up of the company (only in very severe cases)<sup>28</sup>. Fines can also be imposed in the framework of administrative proceedings (e.g., before the national competition authority).

The advantages of civil litigation are that (i) the plaintiff has more control over the proceedings; (ii) the proceedings are usually faster; and (iii) the threshold for establishing a violation of trade secrets is lower. Criminal proceedings are generally led by the public prosecutor's office and the examining magistrate. The downside is that civil litigation is generally more expensive.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

Companies in Belgium adopt various practical solutions to protect trade secrets, including, in particular, licensing, non disclosure agreements, non use agreements, non-compete clauses, precautionary measures, etc.

Licenses involving know-how are subject to EU Regulation 772/2004 which prevails over contractual arrangements and provides for exemptions from the application of Article 100 of the Treaty on the Functioning of the European Union for know-how licences permitting the production of contract products in case the parties' joint market share does not surpass certain thresholds (Article 3 EU Regulation No. 772/2004).

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<sup>28</sup> Article 7bis Criminal Code.

As regards the enforcement of non-disclosure and non-use agreements, there is only little case law available. One case concerns the violation of a confidentiality agreement entered into between two major pharmaceutical companies: GSK Biologicals and Sanofi Pasteur<sup>29</sup>. GSK tried to obtain the revocation of Sanofi's patent which covers a multivalent vaccine composition for the prevention and treatment of infections caused by certain pathogenic agents. During the proceedings, Sanofi's counsel had requested information from GSK, thereby expressly confirming that the information requested would be treated as strictly confidential and that Sanofi would only use it to evaluate the opportunity of introducing a counterclaim for infringement of its patent. According to the Court of Appeal, this communication between the counsels of the parties qualified as a confidentiality agreement. Sanofi later on filed an amended set of claims which seemed to be inspired by the information obtained from GSK. The Court of Appeal ruled that amending claims to escape revocation did not qualify as use "*to evaluate the opportunity of an infringement claim*" and that Sanofi's amendments thus amounted to a breach of contract. Consequently, the amended claims were rejected in the Belgian revocation proceedings.

In an employer-employee relationship, the inclusion in employment contracts and subsequent enforcement of non-compete clauses may be a useful way for protecting trade secrets. Note in this respect that the enforceability of non-compete clauses in an employer-employee relationship are subject to the payment of an economic compensation, must be limited in time and geographically and must relate to similar activities (see, Article 65 AEC).

The transfer or making available of trade secrets and know-how also often forms an indispensable part of franchising agreements<sup>30</sup>.

Though not specifically related to the protection of trade secrets, an undertaking's relationship with its IT provider may also be of relevance for the control of trade secrets. It is not unusual that an undertaking's data, which may contain confidential information and trade secrets, are stored on external servers. "Control" of the company's trade secrets may then depend on the access to these servers. Upon the expiration or termination of the agreement with the service provider, disputes in respect to the transfer and retrieval of such data may arise<sup>31</sup>.

Other precautionary measures that companies may take include (in addition to concluding non-disclosure agreements with all possible interlocutors):

- the (physical) separation / storage / handling of confidential and non-confidential information;
- labeling documents, (software)codes, articles or other items with the mention "confidential";
- educate and raise awareness of employees regarding the handling of confidential information (e.g., in manuals, newsletters, memos);
- conducting interviews with (mostly outgoing) personnel;
- restricting access to information in respect of outsiders (visitors);
- etc.<sup>32</sup>

13. With regards to non disclosure and non use agreements:

(a) Are they effective and enforceable in your jurisdiction?

<sup>29</sup> Brussels Court of Appeal, 20 June 2008, *I.C.I.P.* 2008, p.566

<sup>30</sup> See, Commission regulation (EEC) No 4087/88 of 30 November 1988 on the application of Article 85 (3) of the Treaty to categories of franchise agreements and its successor Commission regulation (EC) No 2790/1999 of 22 December 1999 on the application of Article 81(3) of the Treaty to categories of vertical agreements and concerted practices; see also the European Code of Ethics for Franchising (Brussels Commercial Court 3 July 1998, *DAOR* 1999, vol. 49, 100).

<sup>31</sup> President of the Brussels Commercial Court, 5 March 2007, *DAOR* 2009/92, p.408

<sup>32</sup> F., GOTZEN, M., JANSSENS, *Wegwijs in het intellectueel eigendomsrecht*, Vanden Broele, Brugge, 2009, p. 279-280.

See above under question 12.

(b) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Prevailing enforcement with regards to non disclosure and non use agreements in Belgium is provided by contract law.

Since the famous judgment of the Supreme Court of 7 December 1973<sup>33</sup>, in case of concurrence between contractual and extra-contractual (i.e., tort) liability, a claim on the basis of the latter is only possible if the fault (in this case the misuse or misappropriation of trade secrets) does not amount to a breach of contract, but only to a breach of the duty of care, and to the extent the damage is different from the damage resulting from the poor performance of the contract. Therefore, enforcement with regards to non disclosure and non use agreements in Belgium provided by unfair competition law will only be available under these circumstances.

(c) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

The doctrine of inevitable disclosure does not exist under Belgian law. An employer carries the burden of proof of the fact that his former employee discloses or is certain to disclose trade secrets. Moreover, case law holds that an employee cannot be enjoined from applying the skills and experience they have obtained during their employment<sup>34</sup>.

Therefore, if a former employer wishes to prevent an employee from taking a new job (or prevent the new employer from hiring the employee) merely because of that employee's knowledge about trade secrets and confidential information and in the absence of any evidence of actual or threatened disclosure or use of those secrets, he must probably do so by way of a contract (e.g., non-compete clauses, confidentiality agreements, etc.).

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

Depending on the legal grounds invoked, litigation would be actionable in Belgium in cases (b), (c) and (d).

Since the decision of the ECJ of 27 September 1988 in Case 189/87 *Kalfelis v Schröder*, the term "*matters relating to tort, delict or quasi-delict*" within the meaning of Article 5(3) of the Brussels I-Regulation must be regarded as "*an independent concept covering all actions which seek to establish the liability of a defendant and which are not related*

<sup>33</sup> Supreme Court 7 december 1973 (*Stuwadoorsarrest*), *Arr. Supreme Court* 1974, 395.

<sup>34</sup> Brussels Labour Court, 23 May 2006, *J.T.T.* 2007, p.99; President of the Brussels Commercial Court, 2 November 1994, *Jaarboek Handelspraktijken en Mededinging*, 1994, p.401.

to a "contract" within the meaning of Article 5(1)" (§ 18). We therefore assume for the present purposes that a claim for misuse and/or misappropriation of trade secrets would not follow from a breach of contract since in that case said action could or probably should, at least in an EU context, be brought before (i) the court contractually agreed upon by the parties<sup>35</sup>, or (ii) in the absence of a contractual agreement on this point, the courts for the place of performance of the contractual obligation in question (i.e., the obligation not to disclose, misuse and/or misappropriate trade secrets or confidential information)<sup>36</sup>, or (iii) in an employer-employee relationship, in the courts of the Member State in which the employee is domiciled (in case the proceedings are brought by the employer)<sup>37</sup>. Since trade secrets are not considered a (registered) intellectual property right, Article 22(4) Brussels I-Regulation does not apply.

The general rule is contained in Article 2 Brussels I-Regulation according to which the defendant must be sued before a court of the Member State where he is domiciled or has his registered seat. As a result, if the defendant is domiciled or has its registered seat in Belgium, litigation could be brought before a Belgian court.

However, in case a claim for misuse and/or misappropriation of trade secrets would result from tort, the claim could also be brought in Belgium on the basis of Article 5(3) Brussels I-Regulation.

In its decision of 30 November 1976 in Case 21/76 *Handelskwekerij G. J. Bier BV v Mines de potasse d'Alsace SA*, the ECH held that "*the defendant may be sued, at the option of the plaintiff, either in the courts for the place where the damage occurred or in the courts for the place of the event which gives rise to it and is at the origin of the damage*" (§ 25). In Case 68/93 *Fiona Shevill and others v Presse Alliance SA*, the ECJ further clarified that the courts for the place of the event which gives rise to the damage and is at the origin of it have jurisdiction to award damages for all the harm caused by the event, whereas the courts of the place where the damage is suffered have jurisdiction to rule solely in respect of the harm caused in that State.

Applied to trade secrets, Belgian courts will have jurisdiction if the trade secrets have been misused or misappropriated in Belgium (i.e., option (b), as the place of the event which gives rise to the damage and is at the origin of it), or if the trade secrets have been unlawfully used in Belgium (i.e., option (c), as the place where the damage is suffered), even if the parties are both domiciled in a foreign EU jurisdiction (i.e., option (d)).

In case of option b, Belgian courts will have jurisdiction to award damages for all the harm caused by the misuse or misappropriation of trade secrets. In case of option c, Belgian courts will have jurisdiction to award damages solely in respect of the harm caused by the misuse or misappropriation of trade secrets in Belgium.

If one party is domiciled in Belgium and the other in a country outside the EU, Article 96, 2° of the Act of 16 July 2004 holding the Code of Private International Law (*Wet houdende het Wetboek van internationaal privaatrecht / Loi portant le Code de droit international privé* – "CPIL") provides that a Belgian court has jurisdiction if the harmful event (i.e., option (b)) or the resulting damage (i.e., option (c)) has occurred, or threatens to occur in Belgium, either in full or in part.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as

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<sup>35</sup> See, for example, Article 23 of EU Regulation No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("Brussels I-Regulation").

<sup>36</sup> Article 5(1) Brussels I-Regulation.

<sup>37</sup> Article 20 Brussels I-Regulation.

protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

Considering that the foreign judgment may be pronounced by a court of both a European and non-European jurisdiction, the general principle is that under no circumstances the foreign judgment may be reviewed on the merits.

If the foreign judgment has been pronounced by a court in an EU Member State, the legal basis is Article 45(2) of the Brussels I-Regulation<sup>38</sup> which provides that "[u]nder no circumstances may the foreign judgment be reviewed as to its substance".

If the foreign judgment has been pronounced by a court established outside the EU, the legal basis is Article 25, §2 CPIL, which also provides that under no circumstances, the foreign judgment may be reviewed on the merits.

Consequently, even if for example the trade secrets at stake would not be regarded as protectable at all according to Belgian law or even if the protection afforded by Belgian law would be significantly weaker than that afforded by the foreign judgment, Belgian courts are obliged to recognize a foreign judgment as enforceable, provided, however, that the formal requirements for obtaining a declaration of enforceability have also been complied with<sup>39</sup> and the foreign judgment is not, *inter alia*, manifestly incompatible with public policy principles or public law in Belgium<sup>40</sup>.

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<sup>38</sup> This provision also applies to Denmark pursuant to an Agreement of 19 October 2005 between the European Community and the Kingdom of Denmark on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

<sup>39</sup> For a foreign judgment pronounced by an EU court, see Article 41 EU Regulation 44/2001. For a foreign judgment pronounced by a court outside the EU, see Article 24, §1 CPIL.

<sup>40</sup> For a foreign judgment pronounced by an EU court, see a list of exceptions in Article 34 EU Regulation 44/2001. For a foreign judgment pronounced by a court outside the EU, see a list of exceptions in Article 25, §1 CPIL.



## Bulgaria

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Yes, Bulgarian law contains specific provisions on protection of trade secrets. However, no overarching legislation on the subject is in place. Trade secrets and their protection are regulated by numerous statutes and regulations.

(i) *Definition of Trade Secrets*

The notion of trade secret is expressly defined in the *Law on Protection of Competition*. In particular, "a manufacturing or trade secret is any circumstance, information, decision or data related to a business activity, the secrecy whereof serves the interests of the parties concerned and necessary measures to this end have been undertaken."<sup>41</sup> Further, the *Law on Commodity Exchanges and Wholesale Markets* provides that "the information contained in broker books represents a trade secret..."<sup>42</sup>

The *Law on Access to Public Information* provides that "any circumstance, information, decision and data related to a business activity that shall be kept confidential by the parties concerned is not a 'manufacturing or trade secret' when there an overriding public interest."<sup>43</sup> By implication, manufacturing and trade secrets consist of any circumstance, information, decision and data related to a business activity. Nevertheless, the Supreme Administrative Court has ruled on a number of occasions that Bulgarian law does not provide a definition of the term "trade secret", since the law leaves it to the interested entities or individuals to indicate the relevant circumstances, premising that the information qualifies as a trade secret for the purposes of the *Law on Access to Public Information*.<sup>44</sup> In practice, the notion of trade secrets is a very broad one. It may well vary from facts and information contained in contractual offers, marked by the

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41 § 9 of the Additional Provisions of the Law on Protection of Competition

42 Article 44 of the Law on Commodity Exchanges and Wholesale Markets

43 § 1, item 5 of the Additional Provisions of the Law on Access to Public Information.

Until proven to the contrary, the existence of an overriding public interest is presumed when a trade secret:

- (a) enables citizens to form an opinion and to participate in current discussions;
- (b) facilitates the transparency and accountability of state and municipal authorities regarding the decisions made thereby;
- (c) guarantees the legally conforming and expedient fulfilment of the legal obligations of state and municipal authorities;
- (d) discloses corruption and abuse of power, mismanagement of state or municipal property or other legally non-conforming or inexpedient acts or omissions by administrative authorities and officials in the respective administration, whereby state or public interests, rights or legitimate interests of other persons are affected;
- (e) disproves disseminated untrue information affecting significant public interests;
- (f) is related to the parties, the subcontractors, the subject matter, the price, the rights and obligations, the terms and conditions, the time limits and the sanctions specified in any contracts whereto a state or municipal authority is one of the parties.

Furthermore, an overriding public interest is presumed to exist where the information requested is purported to reveal corruption, abuse of power or it improves the transparency and accountability of state and municipal authorities.

44 Supreme Administrative Court Decision № 10497/ 25 August 2010 under administrative case № 13015/ 2009; See also: Supreme Administrative Court Decision № 5121/ 16 April 2009 under administrative case № 7588/ 2008; Furthermore, please refer to Section 6 below as to the inadequacies of the law on trade secrets in Bulgaria.

offeror as a trade secret, to facts and information of a manufacturing or technological nature, the disclosure of which may cause damage.<sup>45</sup>

Finally, some statutes afford discretion on regulated entities to decide which information qualifies as a trade secret without constraining the scope of the notion by defining it. *Inter alia*, the *Law on Electronic Communications*, the *Law on Energy* and the *Law on the Protection of the Environment* prescribe that entities may decide which information shall be deemed to be a trade secret.

(ii) *Protection of Trade Secrets*

Irrespective of whether a trade secret is expressly defined or not, it benefits from statutory protection. A distinction may be drawn between different types of protection of trade secrets depending on the entity/ individual that must comply with the statutory obligations to protect trade secrets.

Responsible Individuals/ Entities:	Statutory obligation to keep trade secrets confidential:	Statutory source:
State and municipal authorities	State and municipal authorities shall disclose certain data, unless the information requested represents a trade secret and its disclosure may entail competition implications. Further, access to information concerning the environment may be refused, provided that it is classified as a trade secret by law.	<i>Law on Access to Public Information;</i>  <i>Law on the Protection of the Environment;</i>
Government officials	Trade secrets, obtained in the course of exercising official duties and powers, shall not be disclosed.	<i>Law on Tourism;</i>  <i>Law on Electronic Communications;</i>  <i>Law on Energy;</i>
Banks	The Bulgarian National Bank shall not disclose information.	<i>Law on the Bulgarian National Bank;</i>
Companies, other entities	Acquiring, using or disclosing industrial or trade secrets, which is not in conformity with good-faith commercial practices, is prohibited. The use or disclosure of industrial or trade secrets shall also be prohibited when such secrets have become known or communicated subject to	<i>Law on the Protection of Competition;</i>  <i>Law on Commodity Exchanges and Wholesale Markets;</i>

<sup>45</sup> Administrative Court - Varna Decision № 1094 of 22 June 2009 under administrative case № 3007 of 2008, III Division, Panel 32

the condition that they shall not be used or disclosed further.

Information contained in broker's books shall not be disclosed to persons not related to its content.

Managers and employees of governmental authorities (administration)	Trade secrets obtained in the course of management and/ or employment shall be kept confidential.	<i>Law on Bulgarian National Bank;</i> <i>Law on Energy;</i>
Managers of a company, trade agents, trade intermediaries, etc.	Trade secrets of an entity (assignor) shall be kept confidential.	<i>Law on Commerce;</i>
Employees	There is a statutory obligation of loyalty as well as non-disclosure of confidential information and protection of employer's good standing.	<i>Code on Labor;</i>
Courts of law (i.e. judges, clerks, etc)	Court proceedings may take place at closed doors to secure the protection of trade secrets.	<i>Code on Civil Proceedings</i>

(iii) *Internal Statutes/ Regulations of Public Authorities*

Some public authorities have enacted internal regulations dealing specifically with trade secrets disclosed by supervised entities. The two most notable examples are the State Energy and Water Regulatory Commission (SEWRC) and the Commission on Protection of Competition (CPC).

- *Internal Regulations of SEWRC*

The rules on processing documentation containing trade secrets require that information submitted to SEWRC to be specifically marked as a "trade secret". The entity submitting such information shall reason its request as to why the information should be treated as a trade secret.

Once information is designated as a "trade secret", it benefits from certain security and control measures in the internal proceedings of SEWRC. These measures may include the following:

- Files shall be kept in secured rooms that external visitors have no access to;
- Filing-cabinets are locked;
- Files are moved across SEWRC departments contingent on prior approval by the respective head of department;
- Photocopying is also subject to prior approval;

- Disclosure to third parties is possible only with the prior consent by the entity submitting the information.
- SEWRCS officials are forbidden to disclose such information.
- *Internal Regulations of the CPC*

The internal rules/ regulations enacted by the CPC are examined in detail in Part A, Section 1 of the Competition Law Questionnaire.

(iv) *Statutory Limits on the Protection of Trade Secrets*

Trade secrets may be disclosed to public authorities in many ways: by applications for permits/ authorizations from applicants themselves; mandatory requests for disclosure from public authorities in the course of regulatory supervision, etc. In this context, a number of statutes impose limits on the obligation to protect trade secrets.

- *Regulatory Supervision*

First of all, some statutes preclude reliance on a trade secret in order to avoid disclosing certain information to competent state authorities in the course of discharging their powers. For instance, *Law on Measures against Financing of Terrorism* and the *Law on Anti-Money Laundering Measures* expressly state that financial and other institutions cannot withhold information in the course of notification of the National Security State Agency on the execution of suspicious transactions. Under the *Law on Cultural Patronage* and *Law on Gambling*, certain entities cannot withhold information during inspections or information disclosure request by state officials.

- *Overriding Public Interest*

On the other hand, there are statutes that restrict the reliance on trade secrets in the provision of access to information (held by public authorities) to third parties. In the context of access to public information, the demonstration of an overriding public interest under the *Law on Access to Public Information* will require disclosure of all the information applied for. Therefore, information that represents a trade secret may not be withheld in such cases. An overriding public interest may be found to exist in strictly limited cases.

In terms of access to environmental information under the *Law on Protection of the Environment*, access to requested information shall be provided where trade secrets could be separated out and withheld from the remainder of the information requested. However, if separation is not possible, an overriding public interest will demand disclosure of the entire environmental information. The public interest served by disclosure will then be weighed against the interest served by refusal.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

The provisions on protection of trade secrets contained in the selected statutes may be classified in the following areas of law:

(i) *Statutes that Contain a Definition or Quasi-Definition on Trade Secrets*

1. Civil and political rights: *Law on Access to Public Information*;

Definition: "any circumstance, information, decision and data related to a business activity that shall be kept confidential by the parties concerned is not a 'manufacturing or trade secret' when there an overriding public interest."<sup>46</sup>

2. Regulation of commodity exchanges: *Law on Commodity Exchanges and Wholesale Markets*;

Definition: "the information contained in broker books represents a trade secret..."<sup>47</sup>

3. Protection of competition: *Law on Protection of Competition*;

Definition: "a manufacturing or trade secret is any circumstance, information, decision or data related to a business activity, the secrecy whereof serves the interests of the parties concerned and necessary measures to this end have been undertaken."<sup>48</sup>

(ii) *Statutes that Afford Protection, but do not Define Trade Secrets*

1. Banking and Finance: *Law on Anti-Money Laundering Measures*; *Law on the Bulgarian National Bank*;
2. National security: *Law on Measures against the Financing of Terrorism*;
3. Energy and environment: *Law on Energy*; *Law on Protection of the Environment*;
4. Gambling: *Law on Gambling*;
5. Tourism: *Law on Tourism*;
6. Telecommunications: *Law on Electronic Communications*;
7. Miscellaneous: *Law on Culture Patronage*;

Please note that this is a representative selection from various areas of law, which is not exhaustive and it does not include regulations (delegated secondary legislation) implementing statutory provisions. The regulatory framework on trade secrets contains more than 60 statutory and non-statutory sources of law. The above itemization is nevertheless reflective of the types of protection trade secrets are provided with.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

Not applicable.

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46 Please refer to note 3 above

47 Article 44 of the Law on Commodity Exchanges and Wholesale Markets

48 § 9 of the Additional Provisions of the Law on Protection of Competition

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Not applicable.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Under Bulgarian law, there is no equation between trade secrets and objects of intellectual property. Despite the lack of a single statutory definition on trade secrets, there are sufficient indications that a trade secret is a notion of a very broad nature. Undoubtedly, trade secrets encompass information and circumstances related to a business activity, which may produce negative implications, if publicly disclosed. Such information may certainly include, among other things, objects of intellectual property.

In particular, trade secrets are not considered intellectual property and they are not protected as such, unless the information concerned - a trade secret - includes or it is an object of intellectual property itself, and legal protection therefor has been accordingly sought.

Accordingly, Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 is not applicable to trade secrets, unless the information concerned is protected as an object of intellectual property.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

The scope of the notion for trade secrets under Bulgarian law is discussed and analysed in detail in Part A, Section 1 above - *“Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?”*

Please refer also to Part A, Section 1 of the Competition Law Questionnaire - *“Does the legislation relating to competition law in your jurisdiction provide specific provisions on the protection of trade secrets?”*

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

(i) *Shortcomings of National Law*

In the context of the *Law on Access to Public Information*, a uniform approach shall be adopted in terms of consistent application of the law. The provision of Article 17 of the *Law on Access to Public Information* is too vague and uncertain. It reads that *“any information referred to in paragraph 1 (public information created, received or stored by public authorities), which constitutes a trade secret and the disclosure or dissemination*

whereof would lead to unfair competition among merchants, shall not be subject to disclosure except in the cases of an overriding public interest." The requirement to "lead to unfair competition" has been misinterpreted or widely expanded by public authorities, which commonly refuse access when there is no ground for any such refusal.

By failing to define trade secrets, the statute leaves it to the interested entities/ individuals to specify which part of the information they deem secretive. Frequently, public authorities do not look into what exactly is a trade secret and what else can be separated out from it, when they are seized by request to disclose information. Blank refusals are commonly enacted as a result of such uncertainty.<sup>49</sup> They are based on the unreasoned excuse that the information requested represents trade secret and that interested entities/ individuals do not consent to its disclosure/ A uniform approach in the definition of trade secrets should be adopted to overcome this statutory shortcoming. The criterion for trade secrets should be further specified to avoid misapplication of the law. Public authorities seem to put much reliance on this general and vague provision in order to preclude transparency in their proceedings.

(ii) *Erroneous Application of Law*

In a case involving request for access to information held by the Bulgarian National Bank, the lack of definition of trade secrets caused the Supreme Administrative Court to look elsewhere for another definition. The information requested concerned a statement to be issued by the Bulgarian National Bank on the loans granted to state-owned commercial banks. The *Law on the Bulgarian National Bank* prescribes that the bank may refuse access to information on grounds of "bank and trade secrets". Since no definition of a trade secret existed, the court had to rely exclusively on the statutory definition for a "bank secret" to decide whether the refusal was justified. Access was ultimately refused, but this was rather a borderline case given the scope of the request for information (i.e. information about the loans granted). Bank secrets concern "facts and information with respect to the balance and operations under the accounts and deposits of the clients of the bank."<sup>50</sup> A definition of trade secrets that is generally broader than the one for bank secrets may have provided a more useful guide for the national bank.<sup>51</sup>

Subsequently, the same applicant, who was initially refused information, requested the information anew by specifying that it sought information on the terms and conditions of the loans, the dates, the type and amount of loans, repayments, etc. By referring to the previous decision of the Supreme Administrative Court, the Bulgarian National Bank refused access again by reference to its previous decision. On appeal, the court overruled the decision of the bank and instructed the bank to proceed in accordance with the *Law on Access to Public Information*.<sup>52</sup> Evidently, the lack of definition on trade secrets cannot be easily substituted by another definition unfit for the purpose.

(iii) *Inconsistent Case Law*

An inconsistent application of the law could be observed among the different panels of the Supreme Administrative Court. Whereas in some cases the court explicitly concludes

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<sup>49</sup> Administrative Court - Varna Decision N° 1094 of 22 June 2009 under administrative case N° 3007 of 2008, III Division, Panel 32

<sup>50</sup> The definition of a "bank secret" may now be found in Article 62 (2) of the Law on Credit Institutions

<sup>51</sup> Supreme Administrative Court Decision N° 3354 of 29 March 2006 under administrative case N° 6189 of 2005, V Division

<sup>52</sup> Supreme Administrative Court Decision N° 971 of 25 January 2010 under administrative case N° 8537 of 2009, V Division; See also Supreme Administrative Court Decision N° 6849 of 26 May 2010 under administrative case N° 3456 of 2010, Panel of 5 judges

there was no definition of trade secrets in Bulgarian law (note this is in the context of proceeding related to the *Law on Access to Public Information*), in other cases the same court under similar legal proceedings employs the definition of the *Law on Protection of Competition*. By far, this has not resulted in conflicting court decisions and rationnales, but it is nevertheless a source of concern as to the uniform enforcement of the law.<sup>53</sup>

(ii) *European Legislative Initiative*

A European legislative initiative would provide the strongest and most reliable impetus for legislative action at national level. Currently, there are no indications in the public domain that Bulgarian policy-makers have been concerned with the intricacies of trade secrets regulation. It is reasonable to conclude that any amendment to such laws and regulations is currently not seen as a priority in the Bulgarian Parliament. Accordingly, harmonization and structuring of the matter at European level would be most beneficial to the objective of sophisticating the protection of trade secrets. This holds true especially in the context of access to public information, which is an area of regulation that would benefit the most from clear and well-structured rules on protection of trade secrets.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Please note that the texts of decisions of lower courts (regional/ district/ appellate courts) are generally not available through legal information providers in Bulgaria. The following is an overview of high court decisions representing leading case law relevant to trade secrets.

(i) *Law on Access to Public Information*

1. Supreme Administrative Court Decision № 10497 of 25 August 2010 under administrative case № 13015/ 2009

Facts

Bulgarian Foundation "Biodiversity" requested access to public information on environmental impact assessment held by the director of the Regional Inspectorate on the Environment and Waters (RIEW) - Varna. Access was denied on the grounds of trade secrets and the information applicants brought an appeal against the decision of the public authority. The administrative court of first instance repealed the decision of the authority as unlawful. It found that the information requested did not qualify as a trade secret. The RIEW - Varna appealed before the Supreme Administrative Court.

Question

The Supreme Administrative Court had to appraise whether the decision of the lower court was correct, i.e. whether the information in question was a trade secret or not.

Holding

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<sup>53</sup> Compare Supreme Administrative Court Decision № 10497/ 25 August 2010 under administrative case № 13015/ 2009, on the one hand, with Supreme Administrative Court Decision № 8740/ 28 June 2010 under administrative case № 12291/ 2009, on the other hand.



The Supreme Administrative Court upheld the decision of the lower court.

#### Reasoning

Information concerning the environment shall be available to the public. There is a statutory obligation to disclose information regarding the procedure and decisions on environmental impact assessments. When requested to provide access to public information, state authorities shall explicitly indicate and justify circumstances qualifying as a trade secret, which was something that RIEW - Varna had not done.

2. Supreme Administrative Court Decision № 5121 of 16 April 2009 under administrative case № 7588/ 2008, III division

#### Facts

Mr. Tsvetan Todorov (in personal capacity) requested access to information on municipal budget disbursement from the Municipal Council of Lovetch. The Council refused access. It stated that consent of third party was necessary to provide the requested information because the information concerned third party interests. Mr. Todorov appealed before the administrative court in Lovetch, which defeated the appeal.

#### Question

The Supreme Administrative Court had to appraise whether the decision of the lower court was correct, i.e. whether the information in question was a trade secret or not.

#### Holding

The Supreme Administrative Court found the decision of the administrative court to be incorrect and it was accordingly repealed.

#### Reasoning

There was no evidence that the information requested premised the consent of any third party. The Municipal Council failed to state which circumstances defined the information as a trade secret.

3. Supreme Administrative Court Decision № 8740 of 28 June 2010 under administrative case № 12291/ 2009, V division

#### Facts

Vest TV-EAD submitted a request for access to public information held by the Communication Regulation Commission (CRC). The information requested concerned in particular applications for the issuance of permits for broadcasting electronic communications. The CRC refused access on grounds of trade secrets protection and lack of consent of third interested parties.

#### Question

The court was seized with the question whether the act of refusal was lawful.

#### Holding

The court found the refusal to be lawful.

#### Reasoning

The CRC correctly identified the information requested as a trade secret. It was designated as such in the applications lodged by the third parties concerned in course of applying for the respective permit under the *Law on Electronic Communications*. As the CRC correctly noted no overriding public interest could be identified that would have provided exception from the general principle of protecting trade secrets. The court also looked into the definition of trade secrets under the *Law on Protection of Competition*.

4. Supreme Administrative Court Decision № 7619 of 1 June 2011 under administrative case № 4389/ 2011, Panel of 5 judges

#### Facts

The International Association "Karakachan Dog" requested access to public information held by the Ministry of Agriculture and Foods. The information requested concerned in particular the application of a local entity for a permit under the *Law on Animal Breeding*. The Ministry refused access on grounds of trade secrets protection, the disclosure of which would impair competition between commercial undertakings.

The refusal was appealed before the Supreme Administrative Court (panel of 3 judges), which overruled the decision of the Ministry. The reasoning therefor is not clear from the excerpt of the decision. The Ministry of Agriculture and Foods in turn initiated an appeal against the decision of the Supreme Administrative Court (panel of 3 judges).

#### Question

The court was seized with the question whether the act of refusal was lawful.

#### Holding

The decision Supreme Administrative Court (panel of 3 judges) was upheld.

#### Reasoning

Overriding public interest was found to exist, which was inferred from the long public discussions whether the newly registered breed "Bulgarian shepherd dog: is identical to the breed "Karakachan dog" or not. The observance of the overriding public interest is a priority.

#### (ii) *Other Statutes*

1. Supreme Cassation Court Decision № 656 of 25 October 2010

#### Facts

Mr Christov (as an employee) signed an employment agreement with Plus Bulgaria Trade KD (employer) containing a clause prohibiting the employee to start work for another employer conducting similar business. The prohibition was valid until one calendar year after terminating the employment. Liquidated damages were agreed to give effect to this term.

Later, in the course of legal proceedings the Supreme Cassation Court was seized to decide on the validity of such clause in an employment agreement.

#### Question

The court had to decide whether a restriction stipulated in an employment agreement, as the one described above, is valid after terminating the employment agreement.

#### Holding

Such a restriction/ limitation is null and void, and unenforceable.

#### Reasoning

A contractual clause that restricts the constitutionally guaranteed freedom of labor is null and void on grounds of conflict with imperative provisions of law. An employer cannot restrain its employees from working for another employer after the termination of the employment agreement between them. An agreement to this effect would be contrary to the letter and the spirit of labor law.

## 2. Supreme Cassation Court Decision № 625 of 12 November 2010

#### Facts

No information as to the factual background of the case is available. However, there is an indication as to the outline of proceedings. Liquidated damages were agreed in an employment agreement. They become due and payable in the event that an employee terminated its employment and stated a new job. Such clauses were necessary because of the specificity and involvement of trade secrets in the business of the employer, which an employee could transfer to competitors after termination of the employment agreement.

#### Question

The court had to appraise whether the stipulation of liquidated damages in an employment agreement as the one above is null and void.

#### Holding

The provision of liquidated damages as the ones in the case at hand is null and void.

#### Reasoning

A contractual clause that restricts the constitutionally guaranteed freedom of labor is null and void on grounds of conflict with imperative provisions of law. An employer cannot restrain its employees from working for another employer after the termination of the employment agreement between them. This reasoning has been consistently applied in the case law of the Supreme Cassation Court.

A list of leading case law related to the *Law on Protection of Competition* may be found in Part A, Section 7 of the Competition Law Questionnaire. Case law based on other statutes is not available at the moment.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

To the best of our knowledge, legal studies and surveys have not been focused on trade secrets. This is an area that has not fallen within the ambit of academic legal analysis in Bulgaria. Accordingly, we did not manage to identify any sources and reference materials in relation to protection of trade secrets.

## B. LITIGATION AND ENFORCEMENT

As a preliminary introduction, please note that trade secrets may be protected and respectively violated on different statutory grounds. Obligations on state authorities, banks, other entities or managers, and employees, to keep trade secrets confidential arise out of various provisions of law.<sup>54</sup> Therefore, multiple courses of action (civil or administrative proceedings) may be undertaken by a plaintiff to enforce statutory provisions on trade secrets protection and seek compensation for violations thereof.

### 1. Proceedings for Liability for Wrongful Acts of the State

Violations of trade secrets by state and municipal authorities, and state officials, may be remedied through court proceedings for seeking compensation for wrongful acts of the state. Compensation claims are heard by administrative courts in accordance with the *Code on Administrative Procedure*. The decisions of the administrative courts are subject to appeal before the Supreme Administrative Court. The code however does not regulate all aspects of the judicial proceedings as it explicitly relegates to the *Code on Civil Procedure* for matters not governed therein. In this regard, interim relief protection - Section 4 (a) below, issues of expert knowledge during court proceedings - Section 4 (d) below and measures on secrecy during proceedings - Section 4 (e) below, fall outside the scope of application of the *Code on Administrative Procedure*, but are nevertheless regulated by the *Code on Civil Procedure* applicable as a subsidiary source.

### 2. Administrative Penalty Proceedings

Certain statutes provide for administrative penalties on certain individuals committing trade secret infringements (i.e. state officials breaching the requirement not to disclose trade secrets). This is commonly a fine up to a statutory maximum. Affected individuals/entities may petition regulatory authorities in charge of the implementation of these statutes, but they will nevertheless not be constituted as parties to the administrative penalty proceedings. Accordingly, compensation cannot be sought thereunder. The purpose of these proceedings is punitive only - the wrongdoer breaching its statutory obligations not to disclose trade secrets to be held liable to a fine.

### 3. Proceedings before the Commission on Protecting of Competition

Proceedings related to violation of the prohibition on disclosing trade secrets (article 37) under the *Law on Protection of Competition* may be initiated before the Commission on Protection of Competition (CPC) by any person affected. For a detailed analysis, please refer to Part B of the Competition Law Questionnaire, entitled "*Enforcement by Your National Competition Authority*").

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<sup>54</sup> Please refer to the answer to Section 1 above "Does the legislation in your jurisdiction provide specific provisions on the protection of trade secrets?"

#### 4. Proceedings for Compensation in Tort and in Contract

Claims for compensation in tort (i.e. against non-state entities - managers of companies or brokers - who have breached their statutory duty to protect trade secrets) or contract (i.e. a breach of non-disclosure provision) may be lodged before Bulgarian civil courts of law. Similarly, this is a three-instance court procedure. Any such claims shall be heard by civil courts in accordance with the *Code on Civil Procedure*.

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

As stated in the answer to Section 1 of Part A above, the prohibition on trade secrets disclosure applies to different categories of responsible individuals and/ or entities. Accordingly, the following legal (court) proceedings may be initiated:

##### (i) *Liability for Wrongful Acts of the State*

It is a constitutional principle that the state is responsible for damages caused by its unlawful acts, actions or omissions of state authorities, and their officials. The *Law on Liability of the State and Municipalities for Damages* implements this principle by imposing a no-fault liability for pecuniary (damages incurred and loss of profit) and non-pecuniary damages, which are direct and proximate consequences as a result of an unlawful action. In order to initiate proceedings, a claimant has to demonstrate that: (1) the defendant owed a statutory duty of care; (2) the defendant breached its statutory duty; (3) the wrongful act was revoked; (4) causation - the breach of the duty caused the loss suffered; and (5) quantification of the loss.

Evident from the literal reading of the statutes above, state and municipal authorities, and their officials, owe a statutory duty of care to protect trade secrets that have been disclosed in the course of exercising their public duties and powers. Should any state authority and/ or official violate the confidentiality of a trade secret, the state shall be liable to pay compensation.

##### (ii) *Administrative Penalty Proceedings*

Some statutes, such as the *Law on Tourism*, *Law on Protection of the Environment*, *Law on the Bulgarian National Bank* and the *Law on Commodity Exchanges and Wholesale Markets*, lay down administrative penalties on wrongdoers (state officials breaching the requirement not to disclose trade secrets). This is commonly a fine up to a statutory maximum. Affected individuals/ entities may petition regulatory authorities in charge of the implementation of these statutes, but they will nevertheless not be constituted as parties to the administrative penalty proceedings. Accordingly, compensation cannot be sought thereunder. The purpose of these proceedings is punitive only - the wrongdoer breaching its statutory obligations not to disclose trade secrets to be held liable to a fine.

##### (iii) *Proceedings for Compensation in Tort and in Contract Law*

Civil liability is a uniform event that is generally given rise to on the condition that the elements: unlawful activity/ inactivity; causation; loss; and fault; exist. On the basis of the interest (losses) which shall be remedied, civil liability may come into effect as contractual or tortious liability.

Liability in tort may arise for unauthorised use, unauthorised disclosure, misappropriation, or any other form of violation of trade secrets under the general provisions on tortious liability - a person shall rectify damages caused to another due to

its faulty illegal behaviour (Article 45 of the *Law on Obligations and Contracts*). The elements that shall be demonstrated to seek redress in tort law against anyone who has breached a statutory duty not to disclose a trade secret are the same as the liability of the state with the exception that this is a fault-based liability. In Bulgarian tort law, fault is presumed to exist unless and until otherwise proven. A claim in tort may be filed before the competent Bulgarian court against a non-state entity, which has breached the confidentiality of a trade secret, i.e. the Bulgarian National Bank or other commercial counterparties, where no contractual relation concerning trade secrets exists and the person/ entity in question is not a public authority or official.

On the other hand, when the obligation not to disclose a trade secret is fixed in contract, a claim for breach of contract (apart from other contractual remedies, such as avoidance of contract or a claim for liquidated damages, if agreed) may be brought before Bulgarian courts, i.e. a non-disclosure provision in a commercial contract. Damages for breach of contract are available on proof of breach. The precise elements to be established in order to initiate proceedings depend on what has been stipulated in the contract. In general, the non-breaching party is entitled to compensation (damages) for the loss it has suffered.

*(iv) Proceedings before the Commission on Protecting of Competition*

The elements that have to be established in order to commence proceedings under the *Law on Protection of Competition* are reviewed in the Competition Law Questionnaire.

2. What civil remedies are made available? Are the remedies cumulative?

The only remedies available to an individual/ entity, which has suffered loss as a result of trade secrets violations, are the remedies for liability of unlawful acts of the state, tort and breach of contract. In this respect, the award of damages is the most common remedy. Whereas the liability of the state for its wrongful acts is a form of tortious liability, the remedies available remain under the two categories – tort and contract. These are not cumulative, as a claimant can frame its action either in tort or in contract.

*(i) Remedies in Tort Law*

The only remedy available in tort under the *Law on Liability of the State and Municipalities for Damages* and the *Law on Obligations and Contracts* is damages (compensation). The damages award shall compensate all pecuniary losses (damages suffered and loss of profits), which are direct and proximate consequence of the harm done. Non-pecuniary losses are compensated on the basis of the principles of fairness and equity, which is to be assessed by the court hearing the case.

*(ii) Remedies in Contract Law*

In contract, there is a slightly greater variety of remedies, both contractual as may be agreed by the parties (i.e. liquidated damages), and statutory (such as avoidance of contract). However, in the common scenario a claimant may only seek damages for breach of contract in light of trade secret infringements. Unlike damages in tort, the scope of damages in contract is limited as damages compensate material losses (damages suffered and loss of profit) in so far as these are direct and proximate consequences from the harm done and could have been foreseen at the time of entering into contract. By way of exception, when the defendant has acted in bad faith, it shall be liable for all direct and proximate losses.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to

require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

(i) *Collection of Evidence during Court Proceedings*

Courts in civil proceedings, acting on a motion by the parties or at their own discretion, may assign by order an inspection of movable or immovable property for the purposes of collecting and verifying evidence. The court notifies the parties of the place and timing for inspection.

In addition, each party in court proceedings may approach the court with a request demanding that the other party provides a document in its possession. The court shall rule on the request at its discretion taking into account the relevance of the document to the subject matter of the dispute. Should the court grant the request and the requested party fails to comply with the court order, the court may draw an adverse inference.

(ii) *Securing the Collection of Evidence prior to/ or during Court Proceedings*

A party to pending or forthcoming court proceedings may also request collection of evidence when there is a danger that such evidence may be lost or its collection hampered. Pursuant to the *Code on Civil Procedure* all evidence may be collected within this procedure, including, but not limited to, inspection of movable or immovable property and collection of written evidence in possession of the respondent/ third parties.

An application for securing evidence shall be submitted either in parallel to court proceedings or prior to initiating them. The application for securing the collection of evidence is however notified to the other party. The court competent to review the application shall grant the request by way of an *ex parte* order whereas the collection itself shall be performed in a court hearing with the participation of all parties to the pending or forthcoming proceedings.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

Cease and desist actions in the strict sense of the word are not available in Bulgarian law. Nevertheless, the effect of the cease and desist action may be achieved through an injunction for interim relief.

(i) *Proceedings for Liability for Wrongful Acts of the State*

Due to an explicit prohibition provided for in the *Code on Civil Procedure*, interim relief against the state and its authorities, and municipalities, is inadmissible.

(ii) *Proceedings for Compensation in Tort and in Contract*

By virtue of the *Code on Civil Procedure*, interim relief may be sought by an applicant either prior to or simultaneously with court proceedings initiated upon a claim for compensation in tort or in contract. In case a relief is granted prior to initiating court proceedings (i.e. preliminary injunction), the court determines a deadline for lodging the protected claim, which in any event may not be longer than one month, unless extended. Alternatively, interim relief may be applied for during court proceedings, at

the latest, until the closing of the evidentiary phase before the court of second instance (appeal proceedings).

Pursuant to the *Code on Civil Procedure* there are three statutory types of interim measures, although the scholarship and the jurisprudence are on the opinion that the list is not exhaustive:

- A restraint over a real estate - a restraining relief, whereby immovable property may not be transferred, encumbered, modified, damaged or destroyed;
- A provisional seizure over chattels (including a going concern) or account receivables - a restraining relief similar to an injunction in its purpose and function (i.e. freezing of bank accounts);<sup>55</sup> and
- Other appropriate measures - an interim relief the court finds appropriate at its convenience and discretion (but upon the request of the claimant), including suspension of execution proceedings and restraining motor vehicles from operation.

In practice, various interim measures have been imposed, for example, the Sofia Appellate Court imposed a prohibitory relief measure on a defendant to legal proceedings by disallowing the manufacture, sale and advertisement of bathroom furniture as per registered industrial design, which was the subject of the dispute.<sup>56</sup>

The court may also decide to impose a combination of the above relief measures.<sup>57</sup>

In order to obtain an interim relief injunction an applicant shall demonstrate to the court that unless the requested interim measure is imposed enforcement of court decision upholding the claim would be impossible or significantly more difficult. It is crucial to convince the court that there is a good arguable case on the merits. The court may grant the requested interim measure if the applicant presents sufficient written evidence in support of his claim. If such evidence has not been presented, the court may still grant the request for the interim measure only against a deposit by applicant. The court may order the applicant to make a deposit even though he has presented sufficient written evidence. The deposit serves as a security of the potential claim of the defendant for damages in case the interim relief proves to be ill-grounded (i.e. in case the secured claim is dismissed).

Experience shows that courts rarely grant interim relief without ordering submission of deposit by the applicant, regardless of presented evidence. In the event the court rules that interim relief is conditional on deposit by the applicant, the order by which the interim measure is imposed is issued only after the deposit has been paid. The deposit would usually take the form of crediting a designated bank account of the court with an amount determined by the court (approximately 10% on the amount of the claim).

Finally, imposing an interim relief to protect a monetary claim is inadmissible with respect to certain entities: the state and its authorities; municipalities and healthcare institutions. Likewise, a provisional seizure over account receivables cannot be

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<sup>55</sup> Rousse Regional Court Ruling of 3 May 2007 under civil case № 2645/ 2007, IV civil panel

<sup>56</sup> Interim relief order of the Sofia Appellate Court of 12 December 2005 under a civil case № 2432/ 2005, VI panel

<sup>57</sup> Please note that the court may also substitute one type of interim relief measure with another upon request by either of the parties to a dispute.



imposed on receivables not subject to enforcement (i.e. certain proportions of employment remuneration, personal allowance, etc).

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Final injunctions *stricto sensu* – issued on completion of trial, are not provided for under Bulgarian law.

From a rather general perspective, except for the interim measures granted in the administrative proceedings before the CPC, none of the interim relief measures are subject to specific time limits. Injunctions furnish a claimant with a preliminary relief to maintain the *status quo* and to protect its rights, and position.

Interim injunctions do not need to be confirmed through ordinary proceedings although they are subject to appeal before the competent appellate court. Interim injunctions rendered by the appellate courts are subject to appeal before the Supreme Court of Cassation.

This relief extends over the lifespan of court proceedings. Upon completion of proceedings, i.e. when a final and binding court decision has been rendered on the merits - depending on the outcome of the proceedings there are two alternative courses for the interim relief:

- Should a protected claim be defeated by the court, the interested party (the party against whom the relief has been imposed) may apply for revocation of the interim measure. The court rules on this matter in *ex parte* (non-public) proceedings.
- Conversely, whenever a court upholds a claim, the effect of interim relief is overwhelmed by the effect of the final court decision eligible to enforcement. The interim relief imposed remains valid throughout the enforcement proceedings.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

The timeframe of court proceedings can vary greatly depending on the overall load factor of the judicial panel hearing the claim, the complexity of the dispute, the procedural actions of parties, the number and complexity of the witness and expert examinations, etc. Similarly, the cost of proceedings can also vary, especially in terms of costs for expert opinions and legal fees, although state fees are fixed by the law.

(i) *Duration*

- The claims for compensation in tort and in contract are subject to three-instance court review (the third instance is facultative). The approximate timing for each instance may vary from a year to a year and a half;
- The claims for liability for wrongful acts of the state are subject to two-instance court review where the approximate timing for each instance may vary from eight months to a year;
- The administrative proceedings before the CPC from initiating the claim to a final judgment (the decision of the CPC is subject to appeal and cassation) may take from one to three years.

(ii) *Costs*

- Upon filing of a statement of claim for compensation in tort and in contract a state fee of 4% on the value of claim shall be due. The state fee for appeal proceedings is fixed to a half of the amount due for the first instance proceedings, on the appealed part of the claim. The state fee due for cassation proceedings is to the amount of approx. EUR 15 for ruling on the admissibility of the appeal, and if the Supreme Court of Cassation leaves the appeal, a state fee amounting to a half of the amount due for the first instance proceedings is due on the appealed part of the claim. Other predictable costs in the proceedings are those for experts (depending on the number, complexity and type of the expert opinion sought in the range of EUR 400), translation of documents, legal fees, etc.
- Upon filing of a claim for liability for wrongful acts of the state the natural persons, sole traders and non-profit entities shall pay a state fee to the amount of approx. EUR 5. Commercial companies are obliged to pay a state fee to the amount of approx. EUR 12. The state fees for appeal are in the amount of half of the fee due for the first instance court proceedings. Other predictable costs in the proceedings are those for experts (depending on the number, complexity and type of the expert opinion sought in the range of EUR 400), translation of documents, legal fees, etc.
- No state fee is due upon initiation of the administrative proceedings before the CPC. The state fee for the appeal proceedings is approx. EUR 5 for natural persons and non-profit organizations and approx. EUR 25 for the sole traders and the companies. The state fee for cassation is to the amount of half of the fees for the appeal proceedings. Other predictable costs are those for expert opinions the amount of which very much depends on the complexity of the dispute but otherwise varies from EUR 500 to EUR 2,000, translation of documents, legal fees, etc.

(d) Are cases involving technical trade secrets heard by specialist judges?

The figure of specialist judges does not exist in Bulgarian judiciary. Judges are not required to possess special technical qualifications in order to hear cases premising specialist knowledge or expertise. In any such cases, experts are assigned by appointment of court to examine issues necessitating special knowledge in the field of science, technology, art, etc.<sup>58</sup> The role of experts is to advise the court panel, but, in effect, the opinion of a judge is replaced by the expert report on the matters examined.<sup>59</sup>

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

It is a general rule of the Bulgarian civil and administrative procedure that each party to a court proceeding is responsible for pleading and proving all facts relevant to

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<sup>58</sup> The scope and issues of the assignment are specified by the parties, the expert is determined by the court ruling for appointment of the expertise. An appropriate term for completion of the expertise is also determined.

<sup>59</sup> An expert may be dismissed and replaced by another expert, provided that it is not able to complete its assignment due to lack of specialist knowledge, illness or other objective impediment.

support its claim or defense. Therefore, the parties have to produce all documents and engage all other evidence in support of their claims. In case a party to the proceedings is by way of court order obliged to produce a document (please refer to Part A, Section 3 (i) above) such party may not refuse to provide it on the basis of the fact that it reproduces a trade secret. The same applies to other evidence containing information about trade secret. Nevertheless, the *Law on Judiciary* and the *Code on Civil Procedure* provide general protection of secrecy of information before and during the proceedings.

(i) *General Protection of Trade Secrets before the Judiciary*

The *Law on Judiciary* equally extends protection over trade secrets made known/available to court judges, prosecutors, clerks and other administrative personnel in the course of court proceedings. Statutory provisions command that they shall keep in absolute confidentiality any information obtained by virtue of their position as members or personnel of the judiciary.

(ii) *Protection of Trade Secrets in Court Proceedings*

Court proceedings in Bulgaria are likewise other European jurisdictions open to the public. It is a fundamental principle that court hearings shall be public, unless the law provides to the contrary. The *Code on Civil Procedure* specifically provides for restriction of publicity in certain cases, including *inter alia* cases relating to 'the protection of trade, manufacturing, invention or tax-related secrets, the public disclosure whereof may impair party's legitimate interests.'<sup>60</sup> Such preclusion of publicity may be effected at the request of either of the parties to the dispute or at the court's own discretion. The court may rule that the entire proceedings or parts thereof to take place at closed doors. When publicity is thereby precluded, it is only the parties to the dispute, their attorneys/ other proxies, experts, witnesses and other persons - specifically admitted by court, who are allowed to enter into the court room. There is furthermore a statutory obligation not to disclose the subject matter and content of proceedings taking place at closed doors. In the event of a breach of this statutory obligation, wrongdoers may be held liable to compensation.

An issue that has been given rise to in the case law is the question of whether trade secrets of one party to a dispute shall be kept confidential from the other. The Supreme Administrative Court has consistently held that trade secrets shall not be disclosed to other parties of a dispute even when they represent evidence in court.<sup>61</sup> In this respect, there are two competing rights: the right to examine court evidence; and the right to protect trade secrets. A preference has been given to the latter as it is only the court that has exclusive access to evidence containing trade secrets.<sup>62</sup>

With respect to proceedings related to commercial disputes,<sup>63</sup> which are predominantly based on exchange of written pleadings, publicity may also be excluded. This effect is however achieved in a rather different way from the above. Provided that all the evidence is collected alongside the exchange of written pleadings and the courts decides that there is no actual need to hear parties' oral pleadings, the

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<sup>60</sup> Article 136 (1) of the Code on Civil Procedure

<sup>61</sup> SAC Decision N<sup>o</sup> 2449 of 23 February 2010 under administrative case N<sup>o</sup> 11084/ 2009, VII division

<sup>62</sup> SAC Decision N<sup>o</sup> 3243 of 3 April 2003 under administrative case N<sup>o</sup> 1124/ 2003

<sup>63</sup> Trade disputes are disputes arising out of or related to commercial dealings, privatization agreements, participation in commercial entities, validity of entries into the Commercial Register, some insolvency-related disputes and anti-competitive agreements, decisions or concerted practice, etc.

case may be adjudicated at closed session, which no one is admitted to. Parties to commercial disputes may also request the court to do so.

Finally, a note of caution should also be inserted as the *Code on Civil Procedure* mandates the public announcement of court decisions – the operative part in particular. All decisions (operative parts thereof) are entered into a register, which is open to the public. This is somewhat contradictory as protection afforded to trade secrets during proceedings does not extend to final acts of the courts, albeit the operative part does not contain the rationale of decisions, but it may nevertheless allude to secret information.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

Please note that the texts of decisions of lower courts (regional/ district/ appellate courts) are generally not available through legal information providers in Bulgaria. The following is however reflective of high court decisions published with information providers. It may be considered representative of the approximate number of cases heard each year.

For the year of 2011, approximately four cases were heard. These cases concern access to public information under *the Law on Access to Public Information*, where state authorities denied access to information which they considered a trade secret. Applicants requesting access to public information appealed.

For the year of 2010, there were four cases on the grounds of acquisition, use or disclosure of trade secrets in breach of good faith commercial practices under the *Law on Protection of Competition* and six cases related to access to public information as above.

For the year of 2009, three cases for access to public information and one case for breach of trade secrets under the *Law on Protection of Competition* were heard in total.

The subject-matter of court litigation is almost exclusively related to manufacturing technologies and commercial/ financial information.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

State authorities are quite restrictive in their interpretation of the prohibition on disclosure of trade secrets under the *Law on Access to Public Information*. In most of the cases they actually withhold all the information requested including parts that are not trade secrets. This frequently results in protracted legal proceedings.<sup>64</sup>

5. What defences are available to the defendant in a trade secrets action?

(i) *Law on Access to Public Information*

There are two defences that may be relied on for provision of access to public information, which is a trade secret: the information disclosure does not cause unfair competition between undertakings; and/ or there is an overriding public interest to disclose this information.

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<sup>64</sup> Please refer to Part A, Section 6 above

However, court practice by far has been to the contrary application of this provision. Actions are commonly brought against state/ municipal authorities for denying access to public information on grounds of trade secrets. A frequently used defence in these proceedings is alleged unfair competition between undertakings and/ or lack of third party's consent, when the information requested concerns third parties.<sup>65</sup>

(ii) *Other Statutes*

Other statutes impose an obligation on state officials/ administration employees not to disclose trade secrets. General grounds for defence may be sought in tort law: lack of fault, contributory negligence or consent.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

In general, statutes do not provide a clear answer to this question. Secondary legislation and case law are indicative as to what is most valued by public authorities and courts when dealing with trade secrets.

First of all, it is the adoption of adequate measures by the persons concerned. Such measures shall particularly target documents and information that is to be treated as confidential (i.e. trade secret). The commercial value and importance of the information to businesses are not given much consideration in general. The first thing that a public authority or a court looks at is how the information is protected (i.e. by internal orders, physical access measures, etc). This provides indication as to the importance and sensitivity of the information for its holder.

Therefore, measures undertaken to preserve the information are of critical importance as these measures form part of the definition of trade secrets under the *Law on Protection of Competition*.<sup>66</sup> In other words, should the information not be protected by security measures, it may not qualify as a trade secret. The implementation of security measures is an indication of the importance of information for its holder. This conclusion has been repeatedly confirmed in the case law. Lack of such measures deprives given information from the status of a trade secret.

In the context of the *Law on Access to Public Information*, when access to confidential information has been specifically requested from public authorities and it concerns a third party, it is that third party which designates the information as a trade secret. It is therefore sufficient to declare information a trade secret in order to claim the benefits of its protection. This is however not an absolute principle.<sup>67</sup>

7. As to award of damages:

(a) What are the available options?

There are no specific rules on the award of damages for infringement of trade secrets. The options therefore available relate to the general rules on award of damages under the *Law on Obligations and Contracts* (for contract and tort) and the *Law on Liability*

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<sup>65</sup> Article 37 of the Law on Access to Public Information; SAC Decision N° 1753 of 4 February 2011 under administrative case N° 3440/ 2010, V division; SAC Decision N° 2139 of 11 February 2011 under administrative case N° 2342/ 2010, V division

<sup>66</sup> Please refer to Part A, Section 1 (i) and (ii) of the Competition Law Questionnaire

<sup>67</sup> Please refer to Part A, Section 5 (i), Supreme Administrative Court Decision N° 15766 of 21 December 2010 under administrative case N° 14098/ 2010, IV Division

*of the State and Municipalities for Damages*.<sup>68</sup> The aim of the award of damages is to put the claimant in the position he would have been in had the contract/ statutory duty been performed/ complied with.

Bulgarian law recognizes both pecuniary and non-pecuniary damages although the application of the latter is fairly limited in practice.

Pecuniary damages include both losses incurred as a result of trade secrets infringement and loss of profit. The damages shall be natural and direct result of the infringement and there shall not be an intervening cause. As regards breach of a contractual obligation related to non-disclosure of trade secrets, the damages are limited also by the foreseeability rule, which states that they are only recoverable when it could be established that the damage was foreseeable to the breaching party at the time the contract was entered into.

According to the jurisprudence non-pecuniary damages are available only in tort and may not be claimed for breach of contract, although the scholarship supports also the opposite view. Further, the jurisprudence has taken the position that non-pecuniary damages are not available to legal entities, rather than natural persons. The compensation of non-pecuniary losses reveals certain difficulties as these losses can not be easily calculated. Accordingly, the law entitles the court to award such damages on the basis of fairness and equity.

(b) What are the criteria to determine and calculate damages?

*(i) The Amount of Compensation to Claim*

As mentioned in the previous Section (a) there are two types of pecuniary damages: damages suffered; and loss of profit. Both need to be a direct and proximate consequences of breach of contract/ duty of care. There are no statutory criteria for the calculation of damages. By way of example, plaintiffs seeking award of damages for the loss suffered would usually fix their amount to equal the reduction of assets value, the additional costs incurred, etc. Loss of profit has commonly been fixed as the expected value the plaintiff would have received (e.g. commercial profit) should the respondent have complied with its contractual obligation/ statutory duty of care. However, there must be a high level of probability that such profit could have been received.

Compensation for non-pecuniary damages for breach of statutory duty of care is calculated on the basis of the principle of fairness and equity. Such calculations are within the discretion of the court.

*(ii) Limitations on compensation*

There is the very basic principle that damages shall compensate loss which was caused by breach of contract/ duty of care. However, it may sometimes be difficult to establish causation, especially when there are some other intervening factors (i.e. acts of third parties). This is rather a matter of the facts of each particular case.

In this context, if other intervening factors caused by the claimant itself come into play, contributory negligence may command reduction of compensation or even break of the causation chain.

(c) Are punitive damages available for breach of trade secrets?

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<sup>68</sup> Please refer to Sections 1 and 2 above

Bulgarian civil law does not recognize punitive damages. No such damages may be claimed and/ or awarded. The purpose of the award of any damages is to compensate for losses, as opposed to seeking to punish defendant. Damages cannot cover more than the actual loss.

On the other hand, liquidated damages in contract may play a function similar to that of punitive damages. Liquidated damages may be agreed by parties to a contract in advance to be payable in the event of a breach of contractual terms and conditions. To the extent that such clauses pre-estimate greater losses than the ones actually incurred, a punitive effect may be achieved.

However, courts may in certain cases refuse to enforce such clauses, if they require the payment of damages that are too excessive compared to the loss incurred.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

We have not been able to identify any court precedents on claims for damages related to trade secrets. Further, no statistic information is available to us. Therefore, we cannot provide an average quantity of awarded damages.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

The legislation on trade secrets in all its variations does not treat violations of trade secrets any differently. However, there are some practical differences as to whether an action for a trade secret infringement should be framed in contract or tort.

(i) *Amount of Compensation*

As noted above, there is no overarching legislation for the purposes of affording protection to trade secrets. There is a number of statutes dealing with the subject-matter. Accordingly, it makes a difference as to what is the legal ground for establishing trade secrets infringements. On the one hand, a claimant may claim a breach of contract, whereas, on the other hand, he may claim breach of statutory duty of care (i.e. to protect trade secrets).

The main difference between the two appears at the stage of compensation claims. Compensation in tort may be sought for all losses that are direct and proximate result from the breach. On the other hand, compensation in contract may be sought for all losses that are direct and proximate result from the breach, which were foreseeable at the time of creating the obligation, unless the defendant acted in bad faith.

Evidently, the amount of compensation in contract is limited, unless the defendant acted in bad faith.

(ii) *Type of Liability*

On a rather general note, liability in contract and tort (in general) is a fault-based liability. By way of exception, liability of the state under the *Law on Liability of the State and Municipalities for Damages* is a no-fault liability, unless the loss has been caused exclusively by the fault of the claimant.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

In general, liability in contract or tort law does require the existence of fault as one of the essential elements, which shall be established in order to claim liability. In Bulgarian law, the notion of fault (for negligence) is related to the notion of the required duty of care (diligence) that an individual or an entity shall observe in its dealings with others. The precise scope and content of the duty of care is determined by the ordinary and reasonable course of action/ behaviour in similar situations. If a party acts in good faith and therefore observes the standard of the required duty of care, it may not be held liable to compensation for violation of trade secrets. On the contrary, a recipient who falls short of meeting the standard may be held liable where trade secrets are misused or disclosed, and damages arise as a result thereof.

(i) *The Law on Commerce and the Law on Commodity Exchanges and Wholesale Markets*

Managers of companies, trade agents and/ or intermediaries/ brokers are recipients of information which qualifies as a trade secret by virtue of their position. Insofar as they do not breach their obligation not to disclose trade secrets, they will not be held liable in their capacity of "innocent" recipients of such information. Unauthorised disclosure on the basis of fault will certainly entail liability and will entitle the person incurring damages to seek compensation.

(ii) *Law on Protection of Competition*

From a substantive point of view, trade secret violations premise fault on the part of the wrongdoer. Innocent recipients, acting in good faith, cannot be held liable. The provisions of the *Law on Protection of Competition* impose a specific duty of care on acquisition, use and disclosure of trade secrets. It expressly mandates that this shall not be done in violation of good-faith commercial practices. Thus, it is the good faith commercial practices that lay down the standard of care.

Furthermore, the prohibition contained in the *Law on Protection of Competition* also extends to information that has been disclosed on the condition that it shall not be used. The Supreme Administrative Court found that an entity which treats information as a trade secret shall expressly specify such information and the measures implemented for its protection in the course of business with its counterparties.<sup>69</sup> Recipients of such information may not be held liable insofar as they do comply with such a restriction.

(iii) *Other Statutes*

Other statutes, affording protection to trade secrets, are markedly concerned with (innocent) recipients of trade secrets. Their only objective is to prohibit further disclosure of trade secrets to third parties. For example, the *Law on Energy*, the *Law on Bulgarian National Bank* and the *Law on Electronic Communications* prohibit state authorities, officials and/ or employees to disclose trade secrets obtained in the course of exercising their duties and powers/ employment. In this respect, recipients bear a special statutory obligation of non-disclosure. Recipients are however not liable to compensation for as long as they comply with this obligation. The mere act of receiving and processing information does not entail liability.

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<sup>69</sup> SAC Decision N<sup>o</sup> 6530 of 18 May 2010 under administrative case N<sup>o</sup> 14392/ 2009, VII division



(b) A person who autonomously developed the same information?

As noted above, fault is the main element that shall be demonstrated to claim compensation for violations of trade secrets. Persons autonomously developing the same information cannot be held liable by default as the information they hold is not the result of outlawed actions. The Supreme Administrative Court recently lent substantial support to this argument. Please refer to Section 5, Part I of the Competition Law Questionnaire for review of the court's decision.

Based on an expert's examination and conclusions, the Supreme Administrative Court ruled that there was no violation of trade secrets when two competing companies develop two distinct projects for the implementation of the same technology. It should be noted that one of the companies-party to the proceedings employed certain aspects of the other company's technology by means of prior license agreement. In the opinion of the court these were two distinct design concepts and the defendant was therefore not accused of unauthorized use of trade secrets.<sup>70</sup>

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(d) While the employee is still employed?

An employer may impose an absolute restriction on an employee to misuse or disclose a trade secret during employment. Pursuant to the *Labor Code*, employees shall perform their duties and obligations in good faith in accordance with their individual employment agreements. Loyalty is a statutory obligation for employees as well as the non-disclosure of confidential information and protection of their employer's good standing. Employees are further bound to conform to the employer's internal orders and staff regulations imposing restrictions on information use and disclosure.

(e) Once the employee has left his employment?

The *Labor Code* remains silent on this issue. The case law is also unclear and elusive to an extent. The Supreme Cassation Court is of the opinion that a contractual clause restricting employment with other (competing) companies for the purposes of preventing disclosure of trade secrets is contrary to the constitutionally guaranteed right of labor insofar as the effect of such clauses supersedes the term of the current employment. Such clauses are declared invalid and unenforceable.<sup>71</sup> However, a mere confidentiality clause banning the use and disclosure of trade secrets in breach of good faith commercial practices upon termination of employment may, in all likelihood, be found enforceable, albeit this cannot be yet confirmed with utmost certainty due to lack of case law on this issue.

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

The following are two typical clauses that may be found in an employment agreement. Please note the variation of the language and the express reference to trade secrets in the second example. More frequently than not, trade secrets are not expressly listed among the data subject to confidentiality despite the fact that the

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<sup>70</sup> Supreme Administrative Court Decision № 64 of 4 January 2012 under administrative case № 11032 of 2011, IV division

<sup>71</sup> Please refer to the case law summarized in Section 7 (ii) "Other Statutes" above

scope of confidentiality may include information which would otherwise qualify as a trade secret. In light of the difficulties incurred in trade secrets enforcement, Bulgarian courts distinguish between "real" trade secrets and general information that happens to be confidential.

Example 1:

(1) За целите на този договор "Поверителна информация" означава всички технически или други данни, формули, скици, финансови условия, бизнес планове, информация за сътрудници, търговска документация, списъци на миналите, настоящи и потенциални клиенти и делови партньори, документация на проекти, маркетингови доклади, списъци на служителите и данни относно тях, сключени договори, договорни отношения, типови договори, политика и процедури, ценообразуване, информация, която е свързана с процеси, технологии или теории, финансова информация, ноу-хау и всякаква друга информация, която може да бъде разкрита от Работодателя, предвид точното изпълнение на задълженията от страна на Служителя или информация до която Служителят има достъп, предоставен от Работодателя, или такава, която му е станала известна по друг начин, във връзка с този договор, или която е създадена като резултат от или във връзка с изпълнение на задълженията на Служителя по този договор.

(2) По време на действието на този договор, както и след прекратяването му, Служителят е длъжен да не разкрива на трети лица по какъвто и да е начин Поверителна информация без предварителното писмено съгласие на Работодателя за такава разкриване.

(3) По време на действието на този договор, както и след прекратяването му, Служителят е длъжен също и да не разкрива по какъвто и да е начин Поверителна информация на трети лица,

(1) For the purpose of this agreement "Confidential Information" shall mean any and all types of technical or other data, formulas, drawings, financial background, business plans, allies information, business documentation, lists of past, present and potential clients and business partners, project documentation, marketing reports, list of employees and personal details of such employees, executed agreements, contractual relations, standard form agreements, policies and procedures, price formation procedures, information related with certain processes, technologies or theories, financial data, know-how as well as any other types of information which may be disclosed by the Employer to the Employee in view of the prompt fulfilment of her obligations hereunder or information to which the Employee has been given access by the Employer or information that has become known to the Employer in a different manner in relation with this agreement, or which has been created as a result of, or in connection with, the fulfilment of the obligations of the Employee hereunder.

(2) During the term of effectiveness of this agreement and after its termination the Employee shall not disclose to third parties in any manner Confidential Information without the prior written consent of the Employer to that effect.

(3) During the term of effectiveness of this agreement and after its termination the Employee shall not disclose to third parties, including individuals, employed or otherwise contracted by the Employer, in any

включително на лица намиращи се в трудовоправни или гражданско-правни отношения с Работодателя, освен с предварителното писмено разрешение на последния или в случаите, когато им възлага пряко изпълнението на части от възложената на Служителя работа.

(4) Служителят се съгласява и чрез подписването на настоящия договор се счита за надлежно уведомен, че няма разрешение от Работодателя, било изрично, подразбиращо се или предполагащо се, да използва каквато и да е част от Поверителната информация за каквито и да е цели, различни от изпълнение на задълженията си по настоящия договор.

(5) Служителят се задължава, при прекратяване на настоящия договор, независимо от основанията за това, както и при получаването на писмено искане от Работодателя в този смисъл, да предостави на последния всички оригинални документи и копия от такива (като на връщане подлежат всички налични копия), бележки или други писмени, печатни или веществени материали (включително, но не само дискети, аудио и видео касети и др.), данни, записани в цифров вид и други, които към момента са в нейно владение и които съдържат или биха могли да съдържат Поверителна информация.

comprehensive manner Confidential Information except with the Employer's prior written consent to that effect or in the event that the Employee assigns to such other individuals the performance of part of the obligations entrusted to her.

(4) The Employee does hereby undertake and on the grounds of this agreement considers himself duly notified of the fact that she has not obtained the Employer's explicit, implied or presumed permission to use whichever part of the Confidential Information for purposes other than those associated with the performance of her obligations under this agreement.

(5) Upon termination of this agreement and regardless of the termination ground, or upon written request of the Employer, the Employee shall promptly deliver to the Employer any and all original documents or copies thereof (where all existing copies are to be returned), notes, and other written, printed, or tangible materials (including without limitation floppy disks, audio and video tapes, etc.), digitally recorded data, etc., which as of the respective moment, are in her possession and which contain or might contain Confidential Information.

#### Example 2:

(1) Служителят се задължава да не използва или разкрива Конфиденциална информация във връзка с дейността или други въпроси относно Дружеството или други дела, станали му известни в хода на работата, на друго лице или по време на, или след прекратяване на работното правоотношение.

(2) Предходната клауза не се прилага

спрямо използването или above do not apply to any use or разкриването на информация, за disclosure authorised by the Company която Дружеството е дало изрично or as required by law or any information си съгласие или спрямо която which is already in, or comes into, the съществува задължение по закон, public domain otherwise then through както и информация, достъпна в the Employee's unauthorised disclosure. публичното пространство, разпространена по начин, изключващ неправомерно разкриване от страна на Служителя.

(3) За тези цели "Поверителна информация" включва (но не само) дейността, проведенията, делата, финансите, плановете за развитие, бизнес стратегии, маркетинг и прогнозни продажби на Дружеството; копия от и информация, свързана с ноу хау, развойни дейности, изобретения, творчески планове, идеи, интелектуална собственост, компютърни програми (независимо дали са в ресурсен код или друг код), секретни процеси, дизайн и формули, включително и търговски тайни на Дружеството, данни за работници и служители на Дружеството, конфиденциални доклади или проучвания, поръчани или предоставени на Дружеството; и всяка информация, която е представена на Служителя като конфиденциална или предоставена конфиденциално на Дружеството.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

First of all, the choice of legal redress and procedure would be dictated by the particulars of each case. The most practical implication of this differentiation is the potential result of the civil, administrative or criminal procedure and in particular, the availability of a claim for damages resulting of the infringement.

(i) *Civil Proceedings*

Resort to civil proceedings has as its only purpose the award of damages for compensation as a result of breach of a contractual or a statutory duty of care with respect to trade secrets. Depending on the capacity of the offender redress may be sought either under the *Law on Liability of the State and Munciplalities for Damages* (when the breach is performed by the state or the municipal authorities or by state officials) or under *the Law on Obligations and Contract* (when the wrongdoer a non-state entity).

(ii) *Criminal Proceedings*

Civil claims for damages are generally available within criminal proceedings, too. The civil liability of the offender may be engaged on the condition that they are a direct consequence of the offense. As indicated in the Criminal Law Questionnaire, the Bulgarian *Criminal Code* does not specifically incriminate trade secret violations as an offence and therefore, the existence of an offence may be difficult to prove in the first place and for that reason, the claim for damages may be dismissed. Further, the proceedings on the civil claim are dependent on the criminal proceedings and if the latter are terminated, the civil proceedings will be terminated accordingly. The plaintiff is entitled, however, to file the claim before the civil courts of law.

(iii) *Administrative Proceedings*

Administrative proceedings before the national competition authority (CPC) do not admit claims for compensations. The maximum effect of the proceedings will be to ascertain the fact of the breach, to render discontinuation of the breach and impose a fine on the wrongdoer. The same is valid for the administrative penalty proceedings pursued under the special statutes, such as, the *Law on Tourism*, the *Law on Protection of the Environment* etc. pursuant to which compensation may not be sought thereunder and the maximum effect that could be achieved is the imposition of a fine on the wrongdoer.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

(i) *Non-Disclosure Agreements/ Clauses*

The most common practical solution is the insertion of a non-disclosure clause in an agreement on the basis of which information, technology, know-how are exchanged between companies. Employer's internal regulations are also a valuable means for protection as workers/ employees are bound to comply with them.

These solutions are enforceable as they establish contractual relations (and also statutory in case of employment) between parties. Where action in contract is not available, tort remains the sole alternative though a statutory duty of care shall be relied on. With respect to the enforceability of non-disclosure agreements, please refer to Section 13 (a) below.

(ii) *Declarations on Confidentiality*

It is not uncommon to observe submissions of declarations on non-disclosure of confidential information. Such a requirement may be imposed in commercial dealings or provided for by statute. In the latter case, it is in the interest of companies, which apply for a permit/ authorization to conduct regulated activity, to submit a declaration designating certain information as a "trade secret".

For instance, the *Law on Subsurface Resources* and the secondary (delegated) regulations afford the opportunity to applicants for a permit for prospecting and exploration of natural resources to identify which part of the information in their bid is confidential. Thus, the interests of commercial entities are protected as state authorities conducting the tender procedure for permit will not disclose sensitive technological/ commercial information to potential competitors.

These declarations outlining the substance of trade secrets may later be relied on and accordingly opposed to requests for access to public information; unless an overriding public interest has been identified to exist.

13. With regards to non disclosure and non use agreements:

(d) Are they effective and enforceable in your jurisdiction?

Yes, parties to an agreement are free to stipulate contractual terms and conditions as they deem appropriate to the extent that such terms and conditions do not come into conflict with mandatory provisions of law or the *boni mores*.

This is the essence of the so-called principle of contractual freedom under Bulgarian law. Non-disclosure and non-use agreements are innominate contracts under Bulgarian law. They are nevertheless enforceable subject to the above limitation - mandatory norms of law and the *boni mores*. Statutory rules on contract formation and performance will apply as already concluded.

Moreover, the *Law on Protection of Competition* affords protection to trade secrets that "have been communicated under the condition not to be used or disclosed any further."<sup>72</sup> The language employed "under the condition" implies a contractual obligation exclusively, which lends unambiguous support to the argument that non-disclosure and/ or use agreements are enforceable under Bulgarian law.

(e) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

In light of the overwhelming number of competition-related cases, it is the unfair competition law that is the flagship of enforcement grounds. Please refer to the Competition Law Questionnaire.

The rules on access to public information seem to take second place in statutory reliance for the protection of trade secrets.

There no case law available through legal information providers in Bulgaria as to the enforcement of trade secrets provided for by contract law.

(f) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

The US doctrine of "inevitable disclosure" does not exist under Bulgarian law. On the contrary, a contractual clause by which a worker/employee is restrained to undertake a new position with another employer (because of inevitable disclosure of trade secrets) will be null and void, and therefore unenforceable.<sup>73</sup> The mobility of workers and employees cannot be limited.

It is a constitutional freedom that every citizen may freely choose its profession and workplace.<sup>74</sup> This policy interest/ objective is strongly protected in Bulgaria as the Supreme Cassation Court has upheld this principle consistently in its case law.<sup>75</sup>

Notwithstanding the above, please note that the non-existence of the doctrine of "inevitable disclosure" does not deprive a former employer of seeking compensation for trade secret infringements. Please refer to Part A, Section 5 (i) of Competition Law Questionnaire.<sup>76</sup>

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<sup>72</sup> Article 37 (2) of the Law on Protection of Competition

<sup>73</sup> Please refer also to Section 10 (b) above

<sup>74</sup> Article 48 (3) of the Constitution of Bulgaria; See also Article 8 (4) of the Code of Labor stating that statutory labor rights cannot be transferred or waived.

<sup>75</sup> Please refer to Section 7 (ii) "Other Statutes"

<sup>76</sup> In particular, see Supreme Administrative Court Decision № 8730 of 15 July 2008 under administrative case № 5489/ 2008 (Grand Panel - 5 judges); and Supreme Administrative Court Decision № 6530 of 18 May 2010 under administrative case № 14392/2009

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

*I. Proceedings for Compensation in Contract Law*

The competence of the Bulgarian courts to review cross-border cases related to breach of a contractual obligation not to violate trade secrets (unauthorized use, unauthorized disclosure, misappropriation) shall be established pursuant to the following rules:

1. Under the provisions of *Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters*, hereinafter "Regulation No 44/2001"

(i) if the Bulgarian court has been seized with a claim for compensation and the defendant has entered an appearance (unless appearance was entered to contest the jurisdiction) regardless of whether the parties are domiciled in a Member State<sup>77</sup>; or if not:

(ii) if the parties have agreed in writing that the Bulgarian courts shall have jurisdiction to review such claim where at least one of the parties to the dispute is domiciled in a Member State; or if not:

(iii) if the respondent is domiciled in Bulgaria; or if not

(iv) if the respondent is domiciled in other Member State but Bulgaria has been agreed to be the place of performance of the obligation, i.e. the place where trade secrets should not be violated.

2. Under the provisions of the *Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters*, done at Lugano on 30 October 2007, hereinafter "Lugano Convention" (which will generally apply where the defendant is domiciled in Iceland, Norway or Switzerland):

(i) if the Bulgarian court has been seized with a claim for compensation and the defendant has entered an appearance (unless appearance was entered to contest the jurisdiction) regardless of whether the parties are domiciled in a state signatory to the Lugano Convention<sup>78</sup>; or if not:

(ii) if the parties have agreed in writing that the Bulgarian courts shall have jurisdiction to review such claim where at least one of the parties to the dispute is domiciled in a state signatory to the Lugano Convention; or if not:

(iii) if Bulgaria has been agreed to be the place of performance of the obligation, i.e. the place where trade secrets should not be violated.

3. Where none of the above conditions is satisfied and if there is no overriding bilateral treaty on jurisdiction the Bulgarian *Code on International Private Law*, hereinafter "CIPL" shall apply

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<sup>77</sup> Although the latter is still controversially adjudicated in practice.

<sup>78</sup> Signatories to the Lugano Convention are the Member States of the European Union and Iceland, Norway and Switzerland.

(i) if the Bulgarian court has been seized with a claim for compensation and the defendant has entered an appearance (unless appearance was entered to contest the jurisdiction); or if not:

(ii) if the parties have agreed in writing that the Bulgarian courts shall have jurisdiction to review such claim; or if not:

(iii) if Bulgaria has been agreed to be the place of performance of the obligation, i.e. the place where trade secrets should not be violated;

(iv) the respondent has its principal place of business or actual administration in Bulgaria.

However, in points (a), (b), (c) and (d) below we have explained how the competence of the Bulgarian courts shall be limited.

## *II. Proceedings for Compensation in Tort Law*

The competence of the Bulgarian courts to review cross-border cases related to breach of a statutory obligation not to violate trade secrets (unauthorized use, unauthorized disclosure, misappropriation) shall be established pursuant to the following rules:

### 1. Under the provisions of Regulation No 44/2001

(i) if the Bulgarian court has been seized with a claim for compensation and the defendant has entered an appearance (unless appearance was entered to contest the jurisdiction) regardless of whether the parties are domiciled in a Member State; or if not:

(ii) if the parties have agreed in writing that the Bulgarian courts shall have jurisdiction to review such claim where at least one of the parties to the dispute is domiciled in a Member State; or if not:

(iii) if the respondent is domiciled in Bulgaria; or if not

(iv) if the harmful event (the violation) has occurred or may occur in Bulgaria where "harmful event" is given an autonomous interpretation and may be related not only to the place where the damages were sustained but also to the place of conduct.

### 2. Under the provisions of the Lugano Convention (which will generally apply where the defendant is domiciled in Iceland, Norway or Switzerland)

(i) if the Bulgarian court has been seized with a claim for compensation and the defendant has entered an appearance (unless appearance was entered to contest the jurisdiction) regardless of whether the parties are domiciled in a state signatory to the Lugano Convention; or if not:

(ii) if the parties have agreed in writing that the Bulgarian courts shall have jurisdiction to review such claim where at least one of the parties to the dispute is domiciled in a state signatory to the Lugano Convention; or if not:

(iii) if the harmful event (the violation) has occurred or may occur in Bulgaria where "harmful event" may be related not only to the place where the damages were sustained but also to the place of conduct.

### 3. Where none of the above conditions is satisfied and if there is no overriding bilateral treaty on jurisdiction the Bulgarian CIPL shall apply



- (i) if the Bulgarian court has been seized with a claim for compensation and the defendant has entered an appearance (unless appearance was entered to contest the jurisdiction); or if not:
- (ii) if the parties have agreed in writing that the Bulgarian courts shall have jurisdiction to review such claim; or if not:
- (iii) if the violation has been conducted or the damages sustained as a result thereof have occurred in Bulgaria; or if not:
- (iv) the respondent has its actual administration in Bulgaria.

However, in points (a), (b), (c) and (d) below we have explained how the competence of the Bulgarian courts shall be limited.

### *III. Proceedings for Liability for Wrongful Acts of the State*

It is disputable whether litigations under the *Law on Liability of the State and Municipalities for Damages* involving a cross-border element may qualify as international private disputes as, in the first place, it may be argued whether such disputes are of a private character. According to the Bulgarian scholarship and jurisprudence<sup>79</sup> the liability of the state and municipalities for wrongful acts is a form of tortious liability regardless of the fact that the damages are incurred by public authorities as a result of performance of their administrative powers and regardless of the fact that the claims are reviewed via administrative court procedure. We have not been able to identify any cross-border cases initiated pursuant to the *Law on Liability of the State and Municipalities for Damages*. However, in view of a decision of the European Court of Justice on the interpretation of the scope of Regulation No 44/2001<sup>80</sup> we are inclined to assume that such disputes fall into the scope of private law disputes and should they also involve a cross-border element they will be subject to the rules of private international law rather than rules of domestic law only. Nevertheless, this assumption has practical implications only when another jurisdiction has to be approached and as it does not change the fact that Bulgarian courts are in any case competent to review claims under the *Law on Liability of the State and Municipalities for Damages*. The assumptions in points (a), (b), (c) and (d) below do not change this conclusion.

The proceedings for administrative penalties and the proceedings before the CPC are administrative proceedings and therefore, will not be reviewed in this Section.

- (a) Place where trade secrets are created/conceived, and/or

#### *I. Proceedings for Compensation in Contract Law*

In cases of breach of contractual obligation for non-violation of trade secrets created in other European or non-European jurisdiction the Bulgarian courts shall be competent to hear a dispute for compensation in all cases cited in Section 14 I above.

#### *II. Proceedings for Compensation in Tort Law*

In cases of breach of a statutory obligation for non-violation of trade secrets created in other European or non-European jurisdiction the Bulgarian courts shall be competent to

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<sup>79</sup> Decision 1339 of 2 February 2010 of the Supreme Administrative Court under court file 4825/2010.

<sup>80</sup> Volker Sonntag v. Hans Waidmann (Case C-172/91) [1993] ECR I-1963.

hear a dispute for compensation in all cases cited in Section 14 II above provided that in Sections 14 II 1 (iv), 14 II 2 (iii) and 14 II 3 (iii) either the violation or the damages have occurred in Bulgaria.

(b) Place where misappropriation of trade secrets takes place, and/or

*I. Proceedings for Compensation in Contract Law*

In cases of breach of a contractual obligation not to misappropriate trade secrets where the misappropriation has taken place in other European or non-European jurisdiction the Bulgarian courts shall be competent to hear the dispute for compensation in all cases cited in Section 14 I above with the following exceptions: in the cases specified in Sections 14 I 1 (iv), 14 I 2 (iii) and 14 I 3 (iii), i.e. if Bulgaria has been designated as the place where trade secrets should not be misappropriated, the Bulgarian courts shall be nevertheless competent to hear the dispute, but so far as the misappropriation took place in other jurisdiction, no breach of contract may be proved. If the parties have agreed that any misappropriation shall be relevant, the Bulgarian courts shall most probably decline jurisdiction to review the dispute under Sections 14 I 1 (iv), 14 I 2 (iii) and 14 I 3 (iii).

*II. Proceedings for Compensation in Tort Law*

In cases of breach of a statutory obligation not to misappropriate trade secrets where the misappropriation has taken place in other European or non-European jurisdiction the Bulgarian courts shall be competent to hear a dispute for compensation in all cases cited in Section 14 II provided that as regards Sections 14 II 1 (iv), 14 II 2 (iii) and 14 II 3 (iii) the damages incurred as a result of the misappropriation have occurred in Bulgaria.

(c) Place where unlawful use of trade secrets takes place, and/or

*I. Proceedings for Compensation in Contract Law*

In cases of breach of contractual obligation not to use trade secrets where the unlawful use has taken place in other European or non-European jurisdiction the Bulgarian courts shall be competent to hear the dispute for compensation in the circumstances as described in Section 14 I above with the following exceptions: in the cases specified in Sections 14 I 1 (iv), 14 I 2 (iii) and 14 I 3 (iii), i.e. if Bulgaria has been designated as the place where trade secrets should not be used, the Bulgarian courts shall be nevertheless competent to hear the dispute, but so far as the misappropriation took place in other jurisdiction, no breach of contract may be proved. If the parties have agreed that any use shall be relevant, the Bulgarian courts shall most probably decline jurisdiction to review the dispute under Sections 14 I 1 (iv), 14 I 2 (iii) and 14 I 3 (iii).

*II. Proceedings for Compensation in Tort Law*

In cases of breach of a statutory obligation not to use trade secrets where the unlawful use has taken place in other European or non-European jurisdiction the Bulgarian courts shall be competent to hear a dispute for compensation in all cases cited in Section 14 II provided that as regards Sections 14 II 1 (iv), 14 II 2 (iii) and 14 II 3 (iii) the damages incurred as a result of the unlawful use have occurred in Bulgaria.

(d) the parties are domiciled in a foreign jurisdiction.

*I. Proceedings for Compensation in Contract Law*

Bulgarian courts shall be competent to hear a dispute regarding breach of contractual obligation for non-disclosure of trade secrets when both parties are domiciled in a

foreign jurisdiction in the circumstances as described in Section 14 I above with one exception: Section 14 I 1 (iii) (as the respondent will not be domiciled in Bulgaria).

## II. *Proceedings for Compensation in Tort Law*

Bulgarian courts shall be competent to hear a dispute regarding breach of a statutory obligation not to violate trade secrets when both parties are domiciled in a foreign jurisdiction in all cases cited in Section 14 II with one exception: Section 14 II 1 (iii) (as the respondent will not be domiciled in Bulgaria).

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

We have not been able to identify any court precedents on the recognition and enforcement of foreign judgements relating to trade secrets. Pursuant to the applicable sources (Regulation No 44/2001 for judgements rendered in another Member State and CIPL for judgements rendered in non-Member States) recognition and enforcement of foreign judgements may be refused, *inter alia*, on grounds that they are contrary to Bulgarian public policy (Regulation No 44/2001 requires that the recognition and enforcement are "manifestly" contrary to the Bulgarian public policy). The public policy is being interpreted by the courts of law to refer only to the most fundamental principles and ideas of the Bulgarian *ordre public*, such as the principles of equal treatment, non-discrimination, consumer protection, fair competition, the right of each party to a dispute to be heard etc. Therefore, we are inclined to assume that recognition and enforcement of foreign judgements relating to trade secrets shall not be refused even where the trade secrets concerned are not protectable under Bulgarian law or the protection afforded under Bulgarian law is significantly weaker than that afforded by the foreign judgment. As it was stated, this conclusion has not so far been confirmed (nor rejected) by any court precedent.

## Cyprus

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Yes, though currently there is no legislative definition of the term trade secrets. Also, the scope and circumstances of the protection of trade secrets are limited, and such trade secrets protection is not the primary focus of current legislation. Details of these legislative provisions are provided below in our answer to Q2.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

(1) Commercial Descriptions Law 1987 – Law N. 5/87 – Consumer Protection Law.

(2) General Product Safety Law 2004 – Law N. 41(I)/2004– Consumer Protection Law.

(3) Competition Law 2008 – Law N. 13(I)/2008- Competition Law.

(4) The Control of Concentrations Between Undertakings Laws 1999 to 2000 –  
Competition Law

(5) Contract Law 2003 (Commissions, Construction Works & Services) –  
Law N. 101(I)/2003 – Contract Law

(6) Cosmetic Products Law – Law N. 106(I)/2001 – Commercial Law

The text of the relevant provisions (English translation from Greek original text) are as follows:

(1) Commercial Descriptions Law 1987 – Law N. 5/87

Article 26 (5):

“If any person discloses to another person-

(a) any information obtained from premises which he entered in accordance with this article and which concerns a manufacturing process or trade secret or

(b) any information which was obtained in the course of the enforcement of this Law, commits a criminal offence, unless the disclosure occurred during or for the completion of his or any other person’s duties under this Law, and is subject to, if convicted, to imprisonment for a period not exceeding 12 months or a financial penalty which does not exceed 750 Cyprus Pounds [1275 Euros] or to both such penalties.”

Please note that the persons referred to in this Law that can enter premises to enforce this Law (under Article 26(1) (a) & (b) of Law N.5/87) are those authorised by the Minister of Commerce, Industry & Tourism (under Article 24 of Law N.5/87) and these are usually government officers of the Consumer Protection Department of the Ministry of Commerce, Industry and Tourism.

(2) General Product Safety Law 2004 – Law N. 41(I)/2004

(Harmonising national law with EC Directive 2001/95/EC dated 3<sup>rd</sup> Dec. 2001 for general safety of products.)

“Article 36

(1) In accordance with the provisions of the above article, a person is guilty of a crime, if he discloses or allows to be disclosed any information which is covered by professional secrecy and which

(a) Has been obtained as a result of any person carrying out their duties imposed by the Regulations and Orders issued in accordance with this Law or any other provision of this Law or

(b) involves a secret manufacturing method or trade secret and which has been obtained from this whilst carrying out their official duties in accordance with the provisions of this Law.

(2) Sub-article (1) above is not enforceable for information which relates to product safety characteristics, which must be published, if the circumstances so dictate, so that the health and safety of consumers is protected.

(3) The protection of professional secrets does not prevent:

(a) Conveying useful information to the relevant authority from other state or not authorities and vice versa, in order to ensure the effectiveness of the control and supervision procedures of the marketplace:

It is implied that authorities which receive information which is covered by professional secrecy ensure that it is duly protected.

(b) the disclosure of information :

(i) for purposes of evidence in a criminal case which is pending in court

(ii) for purposes of protecting public health or other official purpose.

(4) A person who breaches any provision of this Article is guilty of a criminal offence and is subject to imprisonment which does not exceed 6 months or a monetary fine which does not exceed 1000 Cyprus Pounds [1700 Euros] or both such penalties.”

The relevant authority here is the Consumer Protection Department of the Ministry of Commerce, Industry & Tourism and the officers carrying out their duties to enforce the provisions of this Law are the officers of Consumer Protection Department of the Ministry of Commerce, Industry & Tourism.

(3) Competition Law 2008 – Law 13(I)/2008

(To regulate and protect free competition in the Republic of Cyprus and enforce EC Reg. 1/2003 of 16/12/2002 to enforce the competition regulations in Articles 81 & 82 of the Treaty as amended by EC Reg 1419/2006 of 25/9/2006)

Article 33. –

(1) The President, the other members and the substitutes of the Committee, the persons who work under the supervision of the Committee, the employees of the Service and other civil servants who receive information as a result of their position or in the course of the exercise of their official duties, business secrets and confidential information, have a duty of confidentiality and are bound not to communicate and/or publicize such information except to the extent that they are obliged to do so-

(a) to prove a breach of articles 3 and/or 6 of this Law and/or Articles 81EC and/or 82EC

(b) to enforce the provisions of this Law.

(2) The obligation of confidentiality is also imposed on any other natural or legal person who receives knowledge of such information during the course of the implementation of the foreseeable procedure covered by the present Law.

(3) Notwithstanding Article 38, breach of the confidentiality obligations under this article constitutes, in the case of civil servants, a heavy disciplinary offence punishable under the relevant disciplinary rules.

(4) No provision of the present Law prevents the communication and/or publication of information for the purposes of the implementation of the European Competition Law.

Article 38: A person who breaches their obligation of confidentiality which is imposed by Article 33, commits a criminal offence punishable by imprisonment which does not exceed 1 year or with a monetary fine which does not exceed Euro 3,500 Euros and/or both of these penalties.”

(4) The Control of Concentrations Between Undertakings Laws 1999 to 2000

Duty of Confidentiality

Section 51(1) – Any authorised officer or other public officer who acquires directly or indirectly knowledge of any matter in relation to a concentration, as a result of the application of any provision of this Law, may not disclose it to any person, unless when and to whoever it is necessary to do so for the execution of his duties.

Section 51(2)- Any person contravening the duty of confidentiality pursuant to subsection (1) shall commit an offence punishable with imprisonment up to six months or with a fine up to one thousand seven hundred and eight euros or with both such imprisonment and fine.

Schedule III (Section 15)- Information Required to be Included in the Notification of a Concentration:

(7) Confidentiality- Where any of the information included in the notification is regarded as confidential by the parties of the concentration, this must be marked as confidential and the reasons justifying such confidentiality must be mentioned. Such information may, in exceptional cases, be given in a separate envelope and due reference must be made thereto in the text of the notification.

(5) Contract Law 2003 (Commissions, Construction Works & Services)-

Law N. 101(I)/2003

Procedure for negotiation regarding publication of competition (Public works contracts)

Section 22(5)- regarding contracts for public supplies and contracts for public services, the extent of information referred to in s.22(1)-(4) must be restricted and/or be linked to the contract subject matter:

It is understood that the public authority [offering the public supplies/services contract] takes into consideration the legitimate interests of the supplier or the services provider as far as the protection of secrets covering technical or business issues of his business.

(6) Cosmetic Products Law – Law N. 106(I)/2001

Permission to Protect Trade Secrets regarding the Ingredients of the Cosmetic Product –

Section 15(1)(a) Where the cosmetic product is manufactured in the Republic of Cyprus or is imported into the Republic from a country not a Member State of the European Union-

- (i) The manufacturer of the cosmetic product or
- (ii) the commercial agent of the above manufacturer or
- (iii) the person who instructed the above manufacturer to make the cosmetic product or
- (iv) the importer of the cosmetic product into the Republic

who requests, on the basis of trade secrets, to not include one or more of the ingredients of the cosmetic product in the list of ingredients of the cosmetic product...can submit to the Cosmetic Council a written application, as long as during this application he pays the Council any reasonable fee determined by the Minister in the notification published in the Official Gazette of the Republic, for the Council to issue such a permission.

Please note that we have not identified any current definition of trade secrets in existing national legislation or case law.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

Not applicable

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc)

Not applicable

and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

We have not identified any generally acknowledged definition of trade secrets in our existing national legislation or case law. Therefore we consider that there is currently no generally acknowledged definition of trade secrets that is considered the most important in our jurisdiction.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

No trade secrets are not currently considered by existing Cyprus IP legislation to be intellectual property and are thus not currently protected as an intellectual property right.

No, such legislation is not applicable to the protection of trade secrets.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

All the usual types of trade secrets (e.g. manufacturing technology, commercial know how such as price or customer lists) can be recognized in Cyprus and we anticipate that they would not be treated differently by the law. The problem is that there are no definitions in current legislation as to what is covered by the term "trade secrets". Moreover, in the course of our legal research and in discussing the matter with senior court officials there does not appear to be any local case law involving breach of trade secrets, i.e. where the primary purpose of a filing a civil or criminal case and the subsequent decision and/or appeal has involved the disclosure of trade secrets.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

There is currently no specific legislation which primarily focuses on trade secrets in Cyprus. (See our comments in Q1 above and see also our last comments in Q5 above)

The improvements that we would suggest would be amending the legislation referred to in Q2 above so that the scope of trade secrets could be specifically defined.

Yes, a European harmonized and common legislation for the definition and effective protection of trade secrets would be feasible and positive, and serve as a catalyst to increase commercial activities within the Cyprus economy.

We are not aware of any specific provisions or practices, including business or market practices to protect trade secrets, peculiar to our jurisdiction that could be considered as a positive asset.

From our legal research and in the course of our discussions with various government officials, we are not aware that there are any current proposals for new legislation in this area.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an



overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Our legal research of the local legal database (Leginet) has not revealed any national case law under the search terms "trade secrets" (in Greek), though various cases were identified with the search terms "confidential information" (in Greek). The cases identified with the terms "confidential information" did not deal with the protection of "confidential information" but involved numerous other commercial issues and hence have no relevance to this questionnaire.

Nevertheless, we discovered one Administrative Law case in 1990 of the Supreme Court, involving disclosure of industrial secrets namely Thermphase Ltd v The Republic of Cyprus via (1) The Council of Ministers, (2) Ministerial Tenders Committee, (3) Central Council for Tenders, (4) Technical Committee (1990) 3E A.A.Δ 3951. The term "industrial secrets" though was not examined or defined in the course of this Supreme Court decision, hence this case is of limited use in the context of this questionnaire.

Here, Thermphase Ltd had competed for a government tender to supply, install and maintain a radio communications network for the Cyprus Police. Thermphase Ltd failed to win this government tender and the tender was awarded to Motorola Inc. Thermphase Ltd applied to the Supreme Court under Article 146 of the Cyprus Constitution (challenging the Administrative Decision of the Cyprus Government to award the tender to Motorola Inc.) to permit them full access to the Motorola Inc. tender bid documents, so that Thermphase Ltd could examine why the Motorola Inc. tender bid had succeeded and theirs had failed.

One of the arguments by the lawyer for the Cyprus Government why the Supreme Court should not allow this application was that there was information in the Motorola tender bid which amounted to industrial secrets of Motorola Inc. and its disclosure would affect the commercial or industrial operation of the affected party (Motorola Inc.).

The Supreme Court eventually decided that the right of the Supreme Court to review the prior Administrative Decision of the Republic of Cyprus (to award the tender to Motorola Inc.) took precedence over the potential disclosure of any industrial secrets of the other affected party (Motorola Inc.) in permitting the Applicants full access (to view and photocopy) any of the Motorola Inc. tender bid documents in the possession of the Cyprus Government. The Supreme Court further stated that Motorola Inc. initially submitted its tender bid knowing there was a risk that there could be a disclosure of any of its industrial secrets contained within this tender bid, if the Administrative Decision (to award Motorola Inc. the government tender) was challenged by a subsequent Administrative Appeal to the Supreme Court. Thus, in these circumstances, the Supreme Court decided that any right to non-disclosure of its industrial secrets that Motorola Inc. may have had, was lost or abandoned by Motorola Inc.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

From our research of this area and our various discussions and meetings with the relevant government authorities, currently there does not appear to be any discernable literature, studies, surveys and other reference material relating to the protection of trade secrets in the context of Cyprus Commercial and IP Law.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

In the context of the legislation referred to above, there is a criminal liability for the unauthorised disclosure of trade secrets by public sector employees/civil servants and such matters are not dealt with as a civil matter. The general elements required, in the context of the above legislation, are (a) the unauthorized disclosure (b) by a civil servant of (c) a trade secret.

2. What civil remedies are made available? Are the remedies cumulative?

Action for damages and compensation and an application for an ex parte or by summons injunction by an employer against disclosure of a trade secret and/or confidential information by an employee or ex-employee for breach of contract e.g. employment contract incorporating a non-disclosure clause regarding trade secrets and/or confidential information or breach of a non-disclosure agreement signed between business parties involved in a commercial enterprise. These remedies (civil action and injunction application) are indeed cumulative.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

Yes, this is possible but in practice the courts are generally very reluctant to grant such orders purely to look for evidence of misappropriated trade secrets.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

Preliminary or interim injunctions are available in this context.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Final injunctions are time limited. They are in force until the day of issuance of the final court judgment. If the court judgment upholds the applicant of the injunction, the injunction order will be reflected in the court judgment.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

There is no average duration and cost of proceedings. Duration and costs will vary in each case depending on the complexity of the details of the case, the quantity of expert evidence presented, whether foreign witnesses are involved requiring foreign language interpreters and/or translation costs and delays. Currently it takes a minimum of approximately 2-3 years for a civil case to proceed to its first court hearing with the current backlog of cases dealt with by the District Courts.

(d) Are cases involving technical trade secrets heard by specialist judges?

No, cases are heard by District Court judges who generally do not have specialist knowledge of technical trade secrets. Expert witnesses may give evidence in such cases involving technical trade secrets. We are not aware of cases where the primary focus of the case involved breach of trade secrets.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

Various measures can be utilized before and during court proceedings to protect the secrecy of the information, namely excluding the public from the proceedings, storing the documentary information relating to trade secrets in a separate sub-file from the main court file or investigation file relating to the case.

Where trade secrets or confidential information is obtained by a government authority (e.g. the Ministry of Commerce) in the course of an investigation into the commercial activities of a company or an individual, this type of information is placed in a sub-file separate from the main case file. In addition, each government ministry stores such trade secret information in a separate location from their main filing location namely in a special strong/safe room where a very limited number of civil servants have special security clearance to access, store and retrieve such sensitive information.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

In the course of legal research and our meetings with court officials it appears that there have been no cases yet filed with the local courts where the primary focus involved breach of trade secrets (see also our answers in Q5, Q6 & Q7 above). Moreover, there are no annual figures published by the civil courts on the types of cases that they deal with.

Where cases involving confidential information end up in the courts, they do not primarily focus on the disclosure of confidential information but on other commercial issues and the court decision does not discuss the circumstances or effects of this disclosure nor does the court award relate to the disclosure in any way.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

Since current legislative provisions do not specifically define the term trade secrets and trade secrets are not protected by IP legislation, the true importance of trade secrets is generally underestimated by the local society and the media here. It is thus generally harder for an owner of trade secrets to convince the courts to enforce / protect his trade secrets where this required and to prove that he has suffered commercial loss.

5. What defences are available to the defendant in a trade secrets action?

Where the defendant is a civil servant, if the disclosure occurred due to (a) theft of the trade secret information from the strong/safe room at the government ministry or (b) the information was disclosed due to hacking of email correspondence by a third party or (c) the inadvertent disclosure of this information due to not storing this information safely in the confidential sub-file separate from the general case file.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

Secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy are all factors which will be taken into consideration by the courts here in Cyprus in determining whether to grant or not protection to trade secrets.

In the context of documents containing trade secrets or confidential information that are obtained by civil servants in the course of an investigation into the commercial activities of a company or individual, the criteria as to the category of document (confidential or top secret) depends on the intention of the individual who composed that document and not the intention of the recipient of that document.

For example, if in the course of an investigation by the Ministry of Commerce into company A, an officer of company A provides and classifies as confidential or top secret a document to the investigating officer of the Ministry, the latter is compelled to treat that document as confidential or top secret (even if objectively it is not a confidential or top secret document).

7. As to award of damages:

(a) What are the available options?

Damages are available as in all civil cases. There are no specific types of damages that are available purely for this type of civil case (disclosure of trade secrets).

(b) What are the criteria to determine and calculate damages?

The usual criteria and calculations involved in other civil cases. There are no special criteria or calculations that apply uniquely to this type of civil case. Damages are awarded for actual loss incurred by the plaintiff that can be proven to the satisfaction of the court.

(c) Are punitive damages available for breach of trade secrets?

No punitive damages are not available for breach of trade secrets. In any case, we have not found any court cases primarily involving breach of trade secrets.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

In any civil case, the awarded damages will depend on the actual loss that the plaintiff can prove to the satisfaction of the court (see also our answer to 7(b) above).

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure

agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Yes. Where there are trade secrets violations resulting from breach of contract obligations (e.g. employment agreements, non-disclosure agreements, licenses etc) the available remedies are those for civil cases, namely damages and injunctive relief as outlined earlier in our answers to Q4 & Q7 above. Where there are trade secrets violations resulting from fraud, espionage or other improper actions (e.g. disclosure by a civil servant) the available remedies are those for criminal cases, namely monetary fines and/or imprisonment as outlined earlier in our answers to Q2 above.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

No.

(b) A person who autonomously developed the same information?

No.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(f) While the employee is still employed?

General employment contract provisions and non-disclosure agreement provisions signed by the employee on commencement of his employment.

(g) Once the employee has left his employment?

General employment contract provisions and non-disclosure agreement provisions signed by the employee on commencement of his employment which refer also to non-misuse and non-disclosure after the employee has left his employment. In addition to any breach of contract action the employer can seek an interim injunction against the employee pending the final court decision in a breach of contract action.

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Example of a contractual clause currently used by several financial services companies in Cyprus regarding scenarios (a) & (b) above:

"It is important to note that all information and documentation received or acquired by yourself [employee] in the course of your employment and relating to the [employer/company name] and its business is strictly confidential, and should not be disclosed to any third party, even after you no longer are employed at [employer/company name] for a period of [        ]."

Civil cases involving disclosure of trade secrets are a relatively rare occurrence in the courts here and since the district court judges are generally not technical experts in

cases where complex trade secrets may be involved the courts may not always be able to distinguish between 'real' trade secrets and general information that happens to be confidential.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

The remedies are different in civil and criminal cases (see also our answers to Q2, 4, 7, & 8 above). In civil cases the remedies include injunctive relief and damages (for all potential defendants) while in criminal cases the remedies include fines and/or imprisonment (for only certain types of defendants, namely civil servants). The duration of civil cases can be longer than criminal cases and thus can be more expensive for the parties concerned.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

Licensing agreements, non-disclosure / confidentiality agreements and non-use agreements are the usual practical solutions used by companies in Cyprus to protect trade secrets, and these are all generally enforceable in the courts here.

13. With regards to non disclosure and non use agreements:

(g) Are they effective and enforceable in your jurisdiction?

Yes, they are generally effective and enforceable in the courts in Cyprus.

An example of part of a non disclosure / confidentiality agreement is provided below:

#### Non-Disclosure and Publicity

Each Party (such Party, a "Recipient") receiving Confidential Information from another Party (such Party, a "Disclosing Party") agrees that, until the date that is three years after termination of this Agreement, it shall keep confidential and will not disclose to any Person, and that it will not use, either for its own benefit or for the benefit of any other Person, any such Confidential Information, other than disclosures to:

those of its officers, directors, employees, affiliates, representatives and advisors as are reasonably required to have such information in connection with this Agreement, lenders to or proposed investors in the Group, or the shareholders and investors in [ ]

(such persons, "Representatives"), and other than disclosures required to be made pursuant to applicable law or regulations. Each Recipient shall mark as confidential all Confidential Information received by it which it delivers to its Representatives, shall inform its Representatives of the confidential nature of such Confidential Information and shall instruct its Representatives to keep such Confidential Information confidential in accordance with the terms and conditions of this provision.

Unless required by applicable law, without first obtaining the prior written consent of the other Parties, which consent shall not be unreasonably withheld, no Party shall (a) make any public disclosure or announcement, or respond to any third party request for information, regarding this Agreement or the transactions contemplated hereby, or (b) issue any press release or otherwise make any public statements, announcements or filings with respect to this Agreement or the transactions contemplated hereby. No public disclosure or announcement shall contain any untrue or materially misleading information.

#### Confidential Information

For the purposes hereof, "Confidential Information" means, in respect of any Recipient, any and all information relating to any company in the Group or any other Party, or any Group company's or any other Party's activities in [country] or the European Community, whether presented in written or oral form, together with analysis, compilations, studies or other documents prepared by the Recipient, or its Representatives, which contain or otherwise incorporate such information. Confidential Information shall also include any information relating to the contents of this Agreement or the transactions contemplated hereby. Confidential Information shall not include information that (a) is or becomes available to the public other than as a result of a disclosure by the Recipient or its Representatives in violation of this Clause 0, (b) is obtained by the Recipient from a source other than the Disclosing Party that is not in violation of a contractual obligation to such Disclosing Party with respect to such portions of such Confidential Information, or (c) is approved for release in writing by the Disclosing Party.

#### Return or Destruction

At the request of a Disclosing Party, a Recipient will promptly destroy or return any Confidential Information of the Disclosing Party, together with all copies in its possession, except for those portions of such Confidential Information consisting of analysis, compilations, studies or other documents prepared by the Recipient, or its Representatives, which the Recipient will either destroy or retain and keep confidential subject to the terms and conditions of this provision.

#### Required Disclosure

If a Recipient becomes legally compelled to disclose any Confidential Information, such Recipient shall promptly provide the Disclosing Party with notice to permit it to seek a protective order or other appropriate remedy and/or to waive compliance with these provisions. A Recipient shall disclose only that portion of such Confidential Information under the terms of this Clause 0 that such Recipient is legally required to disclose.

Another example of a more general confidentiality clause in another non disclosure agreement is as follows:

#### Confidentiality

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The Parties shall use all reasonable endeavors to keep confidential any information which they may have or acquire (whether before or after the date of this Agreement), in particular in relation to the customers, business, assets or affairs relating to any of the Parties and to this Agreement, the transactions contemplated hereby and their overall commercial relationship to the matters referred to herein. None of the Parties shall disclose to any third party any such information without the prior written consent of the other Parties to this

Agreement. This obligation does not extend to information that (i) is or becomes generally available to the public through no fault of the recipient, (ii) was available to the Parties prior to its disclosure hereunder, (iii) at any time before or after the date of this Agreement becomes available to the Parties from a source other than the other Party or the Subsidiary, provided such source is not known by the recipient to be acting in breach of an existing obligation of confidentiality or secrecy, (iv) is approved in writing for disclosure by the Party that disclosed such information, or (v) is disclosed pursuant to a requirement of applicable law.

If any Party is requested or required (by oral questions, interrogatories, requests for information, subpoena, civil investigate demand, or similar process) to disclose any confidential information, it is agreed that such Party will provide the other Parties with prompt written notice of such request(s) so that the other Parties may seek an appropriate protective order and/or waive compliance with the provisions of this Agreement. If, failing the entry of a protective order or the receipt of a waiver hereunder, any Party is compelled to disclose confidential information under pain of liability for contempt or other censure or penalty, such Party may disclose only that portion of such information as is legally required without liability hereunder; provided, that such Party agrees to exercise its reasonable efforts to obtain assurance that confidential treatment will be accorded such information.

Nothing in this clause prevents any confidential information being disclosed: (i) by a Party to its professional advisers, auditors or bankers but, before any disclosure to any such person, the relevant Party shall procure that such person is made aware of the terms of this Clause and shall use its best endeavours to procure that such person adheres to those terms as if such person were bound by the relevant provisions of this Clause; or (ii) by a Party to any of its Affiliates and to its or their directors and employees.

(a) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Primarily by Contract Law.

(b) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

No, we are not familiar with this US doctrine in Cyprus. The Cyprus legal structure is essentially a common law system closely based on the British common law system.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation



be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

Whilst litigation for breach of trade secrets may be actionable in Cyprus in specific circumstances, each case would be examined strictly on its merits depending on the full details of the particular case.

If at least one of the following conditions are met:

- (a) any of the parties are domiciled (or resident) in Cyprus
- (b) the breach took place in Cyprus
- (c) there is a contractual obligation in the relevant contract that any dispute will be decided under Cyprus Law

then the courts in Cyprus may have jurisdiction.

If the parties are domiciled or resident in a foreign jurisdiction or unlawful use or misappropriation of trade secrets takes place in a foreign jurisdiction, litigation may not be actionable in Cyprus, irrespective of where the respective trade secrets are created / conceived.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

Courts in Cyprus will recognize as enforceable a foreign (European or non-European) judgment on trade secrets as enforceable in Cyprus, if the judgment is from another EU Member State in accordance with EU law or if the non-European judgment originates from a jurisdiction which has signed a bilateral treaty with Cyprus for the mutual recognition of their respective court judgments. The courts in Cyprus will not examine the legislative basis of the foreign judgment with the relevant legislative provisions in Cyprus for such matters.

## Czech Republic

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

#### Czech Legislation:

Specific Czech legal provisions relating to protection of trade secret are contained in: (i) Act No. 513/1991 Coll., the Commercial Code, as amended ("Commercial Code"), (ii) Act No. 40/2009 Coll., Criminal Code, as amended ("Criminal Code")<sup>81</sup> and (iii) other legislation relating to prohibition to disclose a trade secret<sup>82</sup>.

In addition, a trade secret could be enforced within civil proceeding in accordance with Act No. 99/1963 Civil Procedure Code, as amended and also within criminal proceeding in accordance with Act No. 141/1961 Criminal Procedural Code<sup>83</sup>, both procedural codes do not contain specific provisions relating to enforcement of trade secrets i.e. general rules regarding civil/criminal procedure would apply with respect to enforcement of a trade secret.

#### International Treaties binding for the Czech Republic:

For the sake of completeness, note that trade secret is also defined in the TRIPS agreement, which is directly applicable within the territory of the Czech Republic.

In addition, the Czech Republic is also part of the Paris Convention for the Protection of Industrial Property of 20 March 1883 ("Paris Convention"); however, the Paris Convention does not expressly mentioned trade secrets, although it could be argued that the prohibition to act against fair customs of industry and trade could be considered, under certain circumstances, as breaching a trade secret.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

The only definition of trade secret expressly stipulated in Czech legislation is defined in the Commercial Code in Sections 17-20 (for details see below definition). In addition, violation of trade secret is deemed to be unfair competition conduct, as defined in Sections 44-54 of the Commercial Code (for details see below definition).

The Commercial Code is a crucial legal act which regulates the status of entrepreneurs, business obligations and some other relations connected with business activities, including unfair competition conduct, contractual/non contractual liability. In other

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<sup>81</sup> For details please see our Criminal Questionnaire.

<sup>82</sup> Note, that provisions stating that trade secret (not defining the trade secret) shall not be disclosed is contained in number of legal regulations (e.g. in the Act No. 106/1999 Coll., on Free Access to Information, as amended prohibiting state authorities to disclose information relating trade secret to public when ask for specific information) due to the fact that this questionnaire relates to commercial and IP law we do not comment on all these legislation.

<sup>83</sup> For details see our Criminal Questionnaire.

words, the Commercial Code and its provisions of trade secret apply mainly in B2B relationships and under specific circumstances and, if agreed by the parties, also in B2C relationships.

Nevertheless due to the fact that there exists no other definition of trade secret, the definition of trade secret is widely used/referred to also in other "non-commercial" relationships, e.g. in case of employment contract when defining the employee's obligation to keep confidentiality relating to a trade secret; or in case of liability connected with a trade secret regardless of whether it is a criminal or civil liability, etc. Also, agreements dealing with intellectual property rights often include a reference to the definition of trade secret as stated in the Commercial Code.

Hence, it is possible to conclude that the definition of a trade secret as stated in the Commercial Code is broadly adopted.

In addition, although Czech legislation concerning intellectual property rights does not include an express definition of a trade secret, since the Czech Republic is a signatory state of the TRIPS Agreement, the conditions contained therein relating to trade secrets (Art. 39.2) would apply. Nevertheless, in intellectual property disputes, Czech courts regularly refer to the definition of a trade secret as defined by the Commercial Code (which virtually corresponds to that of TRIPS Agreement – Art 39.2) at least as a supporting tool, along with implied case law and commentary.

The Commercial Code defines a trade secret in section 17-20 as follows:

*Section 17: The subject matter of rights pertaining to an enterprise is also a trade secret. A trade secret comprises all facts of commercial, manufacturing or technical nature related to an enterprise that have actual or at least potential material or immaterial value, are not commonly available in the relevant business circles, should be maintained in secrecy on basis of the trader's decision and the trader ensures their secrecy adequately.*

*Section 18 A trader operating an enterprise, to which trade secret applies, has the exclusive right to dispose of such secret, in particular the right to grant license for its use and set out the conditions of such use.*

*Section 19 A right to trade secret is valid as long as the facts stated in Section 17 above are valid.*

*Section 20 A trader is entitled to the same legal protection against infringement or threat of infringement of trade secret as provided against unfair competition.*

In addition, Section 44 para 2 letter (h) and in detail Section 51 of the Commercial Code, states that violation of trade secret is one of the forms of unfair competition; Section 53 of the Commercial Code states possible remedies which might be requested in connection with unfair competition conduct i.e. Section 53 of the Commercial Code; the Criminal Code also stipulates remedies in connection with breach of trade secret – for details please see our questionnaire relating to criminal law.

*Section 51: Violation of a trade secret means conduct whereby an individual illegally informs another person about a trade secret (section 17), or provides him with access to it, or exploits it for his own or another person's benefit, using it in competition, and of which the individual became aware of:*

*(a) as a result of having been entrusted with that secret, or by having gained access to it through technical documentation, instructions, drawings, models or patterns) on the basis of an employment or other relationship with the*

*competitor, or while performing a function to which the individual was appointed by a court or other authority; or*

*(b) through his own or another person's illicit conduct.*

*Section 53: Persons whose rights have been violated or jeopardized as a result of unfair competition can demand that the offender desists from such conduct and eliminate the improper state of affairs (resulting from it). They can also demand appropriate satisfaction, which may be rendered in monetary form, compensation for damage (i.e. damages) and the surrender of unjust enrichment.*

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

Silent

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Silent

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Generally, no. Czech courts have repeatedly interpreted that a trade secret is a term of the Commercial Code, not intellectual property law and therefore shall not be enforced by the abovementioned Directive. Under Czech law a trade secret is protected by remedies of unfair competition or criminal law.

The definition of a trade secret, as stated in the Commercial Code, includes also assets of immaterial value which might be e.g. inventions, ideas, etc. Hence, protection of a trade secret is, in practice (in contracts), often included in intellectual property clauses, which might lead to the misinterpretation that trade secrets are included under intellectual property law. In addition, for your information, in practice some contracts also contain definition of a trade secret where intellectual property or the term confidential information<sup>84</sup> is also included. Thus, the general public and also some attorneys tend to include a trade secret amongst intellectual property rights.

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<sup>84</sup> Czech law does not include a general definition of confidential information. Special type of confidential information is defined e.g. in Act No. 412/2005 Coll., on Protection of Classified Information and Security Eligibility, as amended and Decree No. 522/2005 Coll.; on List of Classified Information, as amended and also in 21/1992 Coll., on Banks, as amended.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

Czech legislation does not recognize types of trade secrets. The above mentioned definition of a trade secret, as stated by the Commercial Code, includes: all facts of a (i) commercial, (ii) manufacturing or (iii) technical nature related to an enterprise that have:

- actual or at least potential material or immaterial value,
- are not commonly available in the relevant business circles,
- should be maintained in secrecy on basis of the trader's decision,
- and the trader ensures their secrecy adequately.

The Commercial Code, unlike certain other European legislations, does not recognize between a commercial, manufacturing or technical secrecy and does not include all these aspects into the definition of a trade secret.

It is possible to find a form of guideline/listing of examples that might be deemed under certain circumstances of each specific case to be a trade secret in the commentaries to the Commercial Code and also in case law.

Legal theory and case law provides the following examples of trade secret facts with regards to: (i) commercial nature – lists of customers, suppliers; business plans, price calculations, marketing studies, commercial know-how; (ii) manufacturing nature – manufacturing programs, technology processes, manufacture patterns, prototypes and receipts; (iii) technical nature – technical drawings, project documentations.

Again, note deciding whether specific information is/is not a trade secret varies on a case by case basis; hence, it is not possible to advise that e.g. customer lists are a trade secret. In order to decide whether a customer list is/is not a trade secret the customer list in question must be compared with the conditions of definition of a trade secret.

Differing types of trade secret are, by law, treated similarly.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

We are of the view that the definition of trade secret, as stipulated in the Commercial Code, which corresponds to the definition of trade secret stipulated in the TRIPS Agreement, is sustained by altogether constant case law. Thus, there is no urgent need to provide a more detailed definition of trade secret.

The major inadequacies are connected mainly with enforcement of right to a trade secret, in particular with respect to former employees who set up a new business competing with and benefiting from the business of their former employees. (Just as a bottom line – harmonization, in particular effective protection including enforcement of trade secrets, would be also feasible due to the fact that most companies operating businesses within the territory of the Czech Republic and acting as employers are foreign companies or are owned/controlled by foreign companies).

A new Civil Code, which will become legally effective on 1 Jan 2014, was finally approved and signed by the Czech President last week. New provisions relating to trade secrets, as defined by the Civil Code, are very similar to provisions/definitions of trade secrets currently valid. Hence, we believe that nothing crucial will change with respect to trade secrets. In accordance with the new Civil Code, violation of a trade secret is deemed to be unfair competition conduct and similar provisions as exist today would apply.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Decision of the Supreme court of the Czech Republic No. 32 Cdo 1777/2007 from 25 June 2008 – The law stipulates several general requirements to be met in order to be liable for conduct against fair competition (general clause). The law further recognizes special qualified misconduct as a special type of conduct against fair competition. The judgment states that there is no legal obligation to fulfill both the requirements (general and special) and, thus, in order to be in breach of fair competition, only the general requirements must be met.

Decision of the Supreme court of the Czech Republic No. 23 Cdo 1672/2009 from 19 March 2010 – The claimant must prove the existence of a trade secret e.g. the trade secret was not publicly known and that the “owner” of such secret provided adequate protection.

Decision of the Supreme court of the Czech Republic No. 32 Odo 59/2005 from 19 February 2007 – Should the conduct be capable of being against fair competition, the conduct must be against the good manners of competition, instead of good manners generally.

Decision of the Supreme court of the Czech Republic No. 32 Odo 1568/2006 from 25 June 2008 – When determining the amount of reasonable compensation, the courts need to bear in mind that the compensation compensates the claimant on one hand and punishes the defendant on the other hand. It is therefore important to bear in mind that the compensation cannot result in liquidation of the defendant.

Decision of the Supreme court of the Czech Republic No. 32 Cdo 2085/2007 from 14 July 2008 - It is not possible to forbid anyone from hiring workers who formally worked with a competitor, since such prohibition would not oblige the counterparts, but also the job applicants, who cannot be justly forbidden from working for a competitor. The mere fact that the competitor is hiring former workers who legally terminated their employment relationship with the other competitor cannot be seen as unfair competition conduct.

Decision of the Supreme court of the Czech Republic No. 29 Odo 652/2001 from 18 September 2002 - Reasonable compensation cannot be determined by the amount of material damage as the damage is satisfied by the compensation for damage.

Decision of the High court of the Czech Republic No. R 3 Cmo 260/1997 – If the employee prepares conditions for his/her conduct of business prior to notifying the employer and at the employer’s expense, he/she conducts unfair competition.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

M. Bartošíková and Co. *Essentials of Commercial Law*. Prospektrum, 1994, p. 135-136 – Explanation of unfair competition conduct relating to trade secrets.  
= M. Bartošíková a spol., *Základy obchodního práva*. Prospektrum, 1994, str. 135-136

L. Jansa, *Possibilities of Defense against Unfair Conduct of Business of Former Employees*, available at <http://www.elaw.cz/cs/pracovni-pravo/310-moznosti-obrany-proti-nekalemu-ponikani-byvalych-zamstnancu.html>  
= L. Jansa, *Možnosti obrany proti nekalému podnikání bývalých zaměstnanců*, viz <http://www.elaw.cz/cs/pracovni-pravo/310-moznosti-obrany-proti-nekalemu-ponikani-byvalych-zamstnancu.html>

*Competition Conduct and the Unfair Competition Law*. Brno, Masaryk University, 2000 – Reasonable compensation must not result in liquidation of the defendant.  
= *Soutěžní chování a právo proti nekalé soutěži*. Brno, Masarykova univerzita, 2000

P. Balabán and Co. *Commentary of the Commercial Code. Sections 17 to 20, Section 51, Section 53*. Wolters Kluwer, 2009 – General comments on the principles of trade secrets and related issues in the area of unfair competition.  
= P. Balabán a spol. *Komentář k zákonu Obchodní zákoník. K §17-§ 20, k § 51, k § 53*. Wolters Kluwer, 2009

I. Štenglová, *Trade Secret: Practical Handbook*. Linde, 2005 – Complex information on trade secrets.  
= I. Štenglová, *Obchodní tajemství: praktická příručka*. Linde, 2005

I. Štenglová and Co., *Commercial Code*, 13<sup>th</sup> Issue, 2010, p. 53–56, 199–208 - General comments on the principles of trade secrets and related issues in the area of unfair competition.  
= I. Štenglová a spol., *Obchodní zákoník*, 1. vydání, 2010, str. 53–56, 199–208 – Obecný komentář týkající se principů obchodního tajemství a další problematiky v oblasti nekalé soutěže

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

Under the Commercial Code a trade secret:

- (i) involves commercial, manufacturing and/or technological facts;
- (ii) pertains to the enterprise;
- (iii) has a value - actual or potential;
- (iv) is not commonly available in the appropriate business circles;
- (v) is required by the entrepreneur to be kept confidential; and
- (vi) is secured in a suitable manner in accordance with the entrepreneur's instructions.

The right to a trade secret is an exclusive right (similarly like the right to ownership, patents, etc.) and it is not subject to registration. Right to trade secret protection is effective against any person other than the entrepreneur operating the enterprise to which the trade secret pertains.

In order to commence legal proceedings for breach of right to protection of trade secret, the entrepreneur, to whose enterprise such trade secret pertains, must establish that the counterparty has:

- (i) illegally informed another person about a trade secret; or
- (ii) provided another person with access to a trade secret; or
- (iii) exploited a trade secret for his/her own or another person's benefit, using it in competition, and of which the individual became aware of (a) as a result of having been entrusted with that secret, or by having gained access to it (through technical documentation, instructions, drawings, models or patterns) on the basis of an employment or other relationship with the competitor, or while performing a function to which the individual was appointed by a court or other authority; or (b) through his/her own or another person's illicit conduct.

2. What civil remedies are made available? Are the remedies cumulative?

In the event that a trade secret is violated or jeopardized, the entrepreneur, to whose enterprise such trade secret pertains, has the right to protect his trade secret under the provisions on protection against unfair competition and may demand, in particular the following:

- (i) the offender desists from such conduct and eliminates the improper state of affairs;
- (ii) appropriate satisfaction, which may be rendered in monetary form;
- (iii) compensation for damage (i.e. damages); and
- (iv) the surrender of unjust enrichment.

The remedies stipulated above are cumulative.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

It is not possible under Czech law, to search the premises or the computer system of the defendant in a civil proceeding on the basis of an order of court or other state administration body.

Nevertheless, the general principle of a civil proceeding stipulates that any party to a civil proceeding has, upon request of the court, a duty to submit a document or an object specified by the court if such document or object may be evidence in the civil proceeding.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

- (a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

According to the Civil Procedure Act, the court may issue, prior to the trial, a preliminary injunction if the situation of the parties must be temporarily adjusted or if the execution of the judicial decision could be endangered.

To provide for compensation for damage, or another detriment that could occur as a result of a preliminary injunction, the petitioner requesting the preliminary injunction is obligated to provide a security deposit of CZK 10,000 and, with respect to business matters, CZK 50,000 – on the same day (at the latest) on which the petitioner has submitted a petition for the imposition of a preliminary injunction. If the court concludes that the security deposit obviously does not suffice enough to cover the compensation for damage, or another detriment that could occur as a result of a preliminary injunction,



the court shall request, without any undue delay, that the petitioner deposit a balance payment of the security deposit in an amount as determined with respect to the circumstances of the given case.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

When the court issues a preliminary measure, it either requests the claimant to file a petition to commence proceedings within the time limit specified by the court, or it initiates the proceeding itself. If the proceeding is not initiated until the time limit set by the court, the preliminary injunction shall cease to be in effect. The preliminary injunction also ceases to be in effect after the final decision of the court is issued.

If necessary, the court may also restrict the duration of the preliminary measure.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

The average duration of civil proceedings in a commercial matter is approximately 2 years.

The cost of the proceeding differs case by case; however, court fees depend on the value of the subject matter of the proceeding. For example, for initiation of a civil proceeding related to a subject matter of monetary value, the court fee is

- (i) CZK 1,000 if the value of proceeding does not exceed CZK 20,000;
- (ii) 5% if the value of the proceeding is more than CZK 20,000 and less than CZK 40,000,000; and
- (iii) 1% if the value of the proceeding is more than CZK 40,000,000. Value that exceeds CZK 250,000,000 is not taken into account.

(d) Are cases involving technical trade secrets heard by specialist judges?

No, cases involving trade secrets are heard by senates of civil courts that deal with commercial matters.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

To protect the secrecy of information before and during the proceedings, the general public may be excluded from the hearing in whole or in part. In such case, however, the court may permit individual citizens to attend the hearing, instructing them of criminal liability resulting from a breach of secrecy.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

Unfortunately, this information is not publicly available.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

Usually it is difficult to prove the actual amount of damage that was caused by breach of trade secret protection.

5. What defenses are available to the defendant in a trade secrets action?

The defendant may claim that

- (i) the information did not have the character of a trade secret (for more information on what constitutes a trade secret please see Section B Question 1 above); and/or
- (ii) he/she has not breached the protection of the trade secret (i.e. has not illegally informed another person about a trade secret, provided another person with access to the trade secret or exploited the trade secret for his own or another person's benefit).

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

For definition of a trade secret, please see Section B Question 1 above. The importance of a trade secret does not have to be proved; the law protects any information that constitutes a trade secret.

7. As to award of damages:

(a) What are the available options?

Generally, damages in the Czech Republic are compensated monetarily, however, if an aggrieved party requests and if it is possible and customary, damages may be compensated by restoration to a previous condition. However, from a practical point of view, restoration to a previous condition cannot be used in most cases when the protection of a trade secret is breached.

(b) What are the criteria to determine and calculate damages?

Compensation of damage is provided for both real damage and lost profit. Real damage represents the amount by which the assets of the company were reduced, whereas lost profit is the amount of profit actually lost or profit which would have usually been attained in fair business dealings under similar conditions.

(c) Are punitive damages available for breach of trade secrets?

No. However, in case that protection of a trade secret is breached, the entrepreneur to whose enterprise such trade secret pertains has the right to demand an appropriate satisfaction, which may be rendered in monetary form.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

This information is not publicly available.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations

resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

No. The consequences that result from breach of a trade secret are the same whether the individual became aware of the trade secret (i) as a result of having been entrusted with that secret, or by having gained access to it on the basis of an employment or other relationship or (ii) through his own or another person's illicit conduct.

Please note, however, that if the conditions stipulated in the criminal code are met, that the breach of a trade secret may be qualified as a criminal offence and, thus, a different set of rules may apply<sup>85</sup>.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

Yes. The remedies stipulated above related to breach of a trade secret are available also in case that the person who obtained the trade secret obtained it in good faith.

(b) A person who autonomously developed the same information?

No, unless the trade secret is protected by intellectual property rights (e.g. as a patent). If a person autonomously develops the same information, the person has the right to use such information, notwithstanding the fact the information may have pertained to a trade secret of a third person.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(h) While the employee is still employed?

According to the Commercial Code, it is prohibited to exploit a trade secret of which the individual became aware of as a result of having been entrusted with that secret, or by having gained access to it on the basis of an employment or other relationship with the competitor. Therefore, if the person becomes aware of the information in connection with the employment relationship, and such information falls within the definition of a trade secret (please see Section B Question 1 above), the employee is not allowed to misuse or disclose such information.

In addition, to further protect a trade secret, the employer is allowed to include appropriate contractual clauses to the Employment Contract.

(i) Once the employee has left his employment?

Prohibition of the Commercial Code to misuse or disclose a trade secret applies even after termination of the employment relationship. The same may apply to the appropriate contractual clauses to the Employment Contract

(j) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Please find below an example of a contractual clause which can be included in an Employment Contract to address both scenarios in (a) and (b) above:

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<sup>85</sup> For details please see our Criminal Questionnaire.

*"The Employee hereby undertakes not to make use of, divulge or communicate, whether during the employment established by this Agreement or after its termination, to any person, any trade secrets or other confidential information, of or relating to the operation, business and financial affairs of the Employer or any affiliated companies or any of its clients or suppliers, including (but not limited to) details of internal structure, salaries, clients, product details, technical information and data, prices, discounts, or terms of business which the Employee may receive or become aware of as a result of being in this employment.*

*The Employee hereby undertakes not to make use of, divulge or communicate, whether during the employment established by this Agreement or after its termination, to any person, any trade secrets or other confidential information, of or relating to the operation, business and financial affairs of the Employer or any affiliated companies or any of its clients or suppliers, including (but not limited to) details of internal structure, salaries, clients, product details, technical information and data, prices, discounts, or terms of business which the Employee may receive or become aware of as a result of being in this employment.*

*The Employee can be released from the duty of confidentiality only by a written declaration of the Employer, or based on a special legal regulation. In the event that the Employee may become or becomes legally compelled to disclose any confidential information in breach of the duty stipulated in the aforementioned paragraph, the Employee shall promptly notify the Employer before complying with any such requirement."*

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

Based on the fact that, in civil proceedings, the courts are not entitled to order a search of the premises or computer system, it may be very difficult to obtain evidence that the protection of a trade secret was breached. On the other hand, in criminal proceedings, the owner of a trade secret is in the position of aggrieved party and its rights are very limited. Criminal proceedings are led by the prosecutor, rather than the aggrieved party.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

In order to protect their trade secrets, companies usually enter into non-disclosure agreements. Appropriate provisions ensuring protection of trade secrets are often also included in Employment Contracts or employers' internal regulations.

In agreements, it is usually specified in more detail what constitutes a trade secret and the parties to the agreement agree on a contractual penalty that will apply in case protection of a trade secret is violated. These contractual guarantees are generally enforceable.

In addition, companies also introduce various technical and organizational measures ensuring the protection of trade secrets, such as restricted access to documents containing trade secrets.

13. With regards to non disclosure and non use agreements:  
(h) Are they effective and enforceable in your jurisdiction?

Yes. These types of agreements are enforceable in the Czech Republic.

- (i) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Please note that protection of a trade secret may be enforced on the basis of both (i) the statutory provisions protecting trade secrets, as set forth in the Commercial Code, as well as (ii) protection of trade secrets agreed between parties in a contract.

- (j) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

No. The US doctrine of inevitable disclosure does exist under Czech law.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

Please note that rules stipulated in Section 4 of Regulation (EC) No. 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II) apply ("Regulation"). According to this Regulation, the law applicable to a non-contractual obligation arising out of a tort/delict shall be the law of the country in which the damage occurs, irrespective of the country in which the event giving rise to the damage occurred and irrespective of the country or countries in which the indirect consequences of that event occur. However, where the person claiming to be liable and the person sustaining damage both have their habitual residence in the same country at the time when the damage occurs, the law of that country shall apply.

Where it is clear from all the circumstances of the case that the tort/delict is manifestly more closely connected with a country other than that indicated in paragraphs above, the law of that other country shall apply. A manifestly closer connection with another country might be based in particular on a preexisting relationship between the parties, such as a contract, that is closely connected with the tort/delict in question.

Given the foregoing, with regards to cross-border litigation, Czech law applies mainly to cases when the damage occurred in the Czech Republic, i.e. in case that the enterprise to which the trade secret belongs, is seated in the Czech Republic. In addition, Czech law would also apply in cases where the person claimed to be liable and the person sustaining damage are both domiciled in the Czech Republic.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

The enforcement of foreign judgments on trade secrets is regulated by Council Regulation (EC) no. 44/2001 on jurisdiction and the enforcement of judgments in civil and commercial matters entered into force on 1st March 2002 ("Brussels I Regulation"). According to Article 33 of the Brussels I Regulation, a judgment given in an EU member state shall be recognized in other EU member states without any special procedure being required.

A judgment given in other than EU member state is recognized in the Czech Republic only on the basis of an international treaty.

## Denmark

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Yes, the Criminal Code (in Danish, "straffeloven") and the Marketing Practices Act (in Danish, "markedsføringsloven") cover the unauthorized appropriation and misuse of trade secrets.

The relevant provisions from the Criminal Code and the Marketing Practices are listed in Appendix 1.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Section 263 of the Criminal Code covers the illegal access to certain information, including trade secrets. This provision also covers the "secrecy of the mails".

Section 264 (1) of the Criminal Code covers breaking and entering. If the breaking and entering is done with the intent of obtaining trade secrets, then it is an aggravating circumstance covered by subsection 2.

The field of law under the Criminal Code is criminal law. The injured party may claim damages for violation of the Criminal Code.

The Marketing Practices Act, Section 19, covers the unauthorised appropriation and misuse of trade secrets. The field of law is civil law, unfair competition and criminal law.

The injured party may obtain a reasonable fee and damages and obtain an injunction against the unauthorised use of the trade secrets; see the Marketing Practices Act, Section 20. Violation of an injunction is subject to criminal liability; see the Marketing Practices Act, Section 30 (1).

Ordinary violations of Section 19 are subject to criminal liability on the request of the injured party; see the Marketing Practices Act, Section 30 (4). Grave violations also constitute a violation of the Criminal Code, Section 299a. It does not require the request of the injured party for the public prosecutor to commence criminal proceedings for violation of Section 299a, but in practice such a request is always filed.

In Denmark, no statutory law provides a definition of trade secrets as such; however, the substance of the term has been clarified through case law.

Accordingly, trade secrets within the meaning of Section 19 of the Danish Marketing Practices Act comprise (i) operating and technical secrets, e.g. engineering and application of technical equipment, drawings, receipts, etc., and (ii) commercial secrets, e.g. formation of commercial relationships, customer lists, price calculations, etc.

However, only specific and concrete information will be protected, and the categorization as a trade secret presupposes that the information in question is of significant importance to the enterprise, and that only a limited number of the enterprises' employees are familiar with this information. The information does not have to be new or unique to the trader, as long as it not commonly known amongst professionals in the pertinent kind of trade Information known by a larger part of the employees or by the relevant sector of trade will not be considered a secret. The business itself will to a large extent have an influence as to whether or not information can be considered a trade secret.

Information obtained from documents, manuals etc. disseminated by the trader or obtained from reverse engineering of the products disseminated by the trader does not qualify as trade secrets.

It is important to stress that according to the Danish Marketing Practices Act former employees will not be prohibited from making use of their general technical and/or commercial skills acquired during their previous employment relationship, e.g. through training or in the ordinary course of their employment.

The term "trade secrets" within the meaning of the Danish Criminal Code is interpreted in line with the term in Section 19 of the Danish Marketing Practices Act.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please: N/A

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

A trade secret is not per se considered intellectual property, but if the trade secret fulfils the requirements for protection under the ordinary intellectual property laws, protection under said laws is available.

The legislation implementing the Directive is for the same reason not directly applicable to trade secrets.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

See the answer under item 2.



A number of different types of trade secrets are recognised in Denmark. Accordingly, trade secrets within the meaning of Section 19 of the Danish Marketing Practices Act comprise (i) operating and technical secrets, e.g. engineering and application of technical equipment, drawings, receipts, etc., and (ii) commercial secrets, e.g. formation of commercial relationships, customer lists, price calculations, etc.

However, only specific and concrete information will be protected, and the categorization as a trade secret presupposes that the information in question is of significant importance to the enterprise and that only a limited number of the enterprises' employees are familiar with this information. Information known by a larger part of the employees or by the relevant sector of trade will not be considered a secret. The business itself will to a large extent have influence as to whether or not information can be considered a trade secret.

The term "trade secrets" within the meaning of the Danish Criminal Code is interpreted in line with the term in Section 19 of the Danish Marketing Practices Act.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

The definition provided in the TRIPS Agreement is sufficient; however, it is important to note that general technical and/or commercial skills acquired during previous employment or cooperation relationships are not comprised by the term "trade secrets", otherwise the rules regarding trade secrets are in effect working as an occupational ban.

A European harmonized and common legislation is feasible if it is as effective and dynamic as the Danish system.

There are no current proposals for new legislation.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

According to Section 19 of the Danish Marketing Practices Act, confidential information or trade secrets belong to the employer, regardless of how the information originated from the employee. An employee may not unlawfully use or pass on such information, and this prohibition lasts 3 years after the employment relationship has been brought to an end.

However, this legal basis has recently been modified by a judgment passed by the Danish Supreme Court in 2006, reported in the Danish Weekly Law Reports for 2006, p. 1209. The Supreme Court ruled in favour of an employee who had not breached his obligations according to the Danish Marketing Practices Act when using trusted information subsequent to his termination with his previous employer.

A, an engineer, was hired by the company, B, in which A served as a production engineer from 1973. In 1981, the development and project planning of a steam drying facility began, and A took over the management hereof from 1986. In 1984, B was granted a patent for a process and a machine for drying. The inventors hereof were A and two other engineers, and in 1990, A made a new invention that was also patented by B. A's employment with B was terminated in 1997, citing downsizing of B's steam drying activities and shelving of innovations. A was released from his duties as of 1 July 1997 in order to seek other employment, and his salary for the whole notice period and severance payment were paid immediately. Having written articles for industry trade publications and given lectures on steam drying technology throughout his employment, A attended an industry meeting abroad in the autumn of 1997 in which B also participated, during which meeting A presented his newly started consultancy services company. Shortly after his termination, A had informed about his plans to start a consultancy services company during meetings with B's managing director C. At the end of 1997, A agreed to provide consulting services to an American company, F, concerning F's purchase of a machine from B. Following negotiations between B and F, B sold a machine to F; however, during the negotiations B's original price demand had been reduced by USD 1,680,000. In June 1999, B initiated legal proceedings against A and the company he had later set up, claiming payment of damages in the amount of DKK 6 million, which B believed constituted the loss it had suffered due to A's violation of Sections 1, 2 and 10 (today Section 19) of the Danish Marketing Practices Act.

The Supreme Court referred to the fact that the specific know-how on steam drying technology that A had come to possess to a significant degree was a result of A's work, through which he had also gained extensive expert knowledge within the area. Further, the Supreme Court attached emphasis to the circumstances regarding the termination of A and to the fact that A's provision of consulting services had not given cause for objections by neither B nor C.

Two older judgements from the Supreme Court, both regarding former employees' misappropriation of trade secrets, can be counted amongst leading case-law:

A few months after resignation and launch of his own company, the manager of a company's development department could offer a product. The fast development of said product had only been possible by his unlawful use of confidential knowledge gained through his previous employment. The judgement is reported in the Danish Weekly Law Reports for 1975, p. 1049.

After the termination of his employment, an engineer used business secrets to manufacture similar products as his previous employer and tried to sell his products to his former employer's customers. He was enjoined from contacting said customers for 1 year. The judgement is reported in the Danish Weekly Law Reports for 1983, p. 105.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

See item 2 for an overview for the doctrine and perspective on the protection of trade secrets in Denmark.

Literature regarding the Marketing Practices Act and regarding competition from present and former employees:

Erling Borchert and Frank Bøggild, "Markedsføringsloven", Thomson/GadJura, 2006, i.e. the annotated Marketing Practices Act.

Caroline Heide-Jørgen, "Lærebog i konkurrence- og markedsføringsret", Jurist- og Økonomforbundet, 2008, this is a textbook regarding competition and the Marketing Practices Act with emphasis on loyalty and protection of trade secrets.

Jeppe Høyer Jørgensen, "Ansattes konkurrencehandling - loyalitetspligt og markedsføringslovens §§ 1 og 19", Thomson Reuters, 2010, regarding competition from present and former employees.

Palle Bo Madsen, "Markedsret - Del 2 - Markedsføringsret og konkurrenceværn", Jurist- og Økonomforbundet, 2007, a textbook on the Marketing Practices Act with emphasis on competition clauses and trade secrets.

Jakob Krag Nielsen, "Udviklingen på immaterialretsområdet i Danmark 2008-2010", Nordisk Immaterielt Rättsskydd, 6/2010, p. 493, regarding the development on the intellectual property field and the protection of trade secrets in Denmark during 2008-2010.

Sune Troels Poulsen, "Loyalitet I erhvervsforhold", Jurist- og Økonomforbundet, 1991, regarding the employee's obligation of loyalty towards present and former employers.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

Under Danish law, legal proceedings may be commenced without fulfilling any conditions related to the material issues of the matter. Only the formal conditions, which are not relevant here, must be fulfilled.

I presume that the question is also intended to deal with the elements that must be established by the plaintiff in the course of the proceedings in order to succeed in a claim for trade secret infringement.

First of all the plaintiff must establish that the disputed information constitutes a "trade secret" as defined above.

Secondly, the plaintiff must establish that he is authorised to enforce the protection of trade secrets against the defendant. This will be the case if the plaintiff is the owner of the disputed trade secrets or if the plaintiff is authorised by the owner of the trade secrets to take legal actions against alleged infringement of the trade secrets.

In case of criminal proceedings under Section 30 (4) of the Marketing Practices Act, it must be established that the injured party is authorised to enforce the protection of trade secrets against the accused.

Thirdly, the plaintiff must show that the defendant has committed a violation of the material provisions set out in Appendix 1, e.g. by trying to obtain said trade

secrets in an improper manner or by having disclosed trade secrets obtained in a lawful manner to a third party.

## 2. What civil remedies are made available? Are the remedies cumulative?

It is possible to obtain an interim injunction against the misuse of trade secrets by filing an application with the Sheriff's Court of the local jurisdiction where the defendant is established. The proceedings are as a main rule not ex parte, but quite fast.

The plaintiff must render probable that the defendant is misusing trade secrets, which the plaintiff can enforce. Further, the plaintiff must render probable that the defendant will continue to carry out the infringing acts and that the purpose of the action would be lost if the plaintiff had to resort to ordinary court proceedings. Finally, the plaintiff must render probable that the general rules of law on penalties and damages and possibly provision of security offered by the defendant do not provide adequate protection of the plaintiff. The Sheriff's Court may refuse to grant an injunction if the damage or inconvenience inflicted on the defendant is obviously in disproportion to the plaintiff's interest in the injunction being granted.

In practice, the plaintiff must file the application within 9-12 months from learning about the infringement depending on the specific circumstances of the matter. If it is rendered probable that the defendant is misusing the trade secrets and will continue to do so (in the lack of an interim injunction), then the interim injunction is normally granted.

The interim injunction can be obtained also if ordinary civil proceedings have been commenced.

Violation of an interim injunction is subject to criminal sanctions under the Administration of Justice Act.

If an interim injunction is obtained, the plaintiff must commence confirmatory proceedings on the merits.

The above conditions and procedure for obtaining an interim injunction are of a general nature and are not special for violation of trade secrets.

As part of an ordinary civil case, the plaintiff can obtain a permanent injunction; see the Marketing Practices Act, Section 20 (1). The permanent injunction will normally be limited in time to 2-3 years from the termination of the co-operative relationship - however, this is a concrete assessment based on the specific circumstances.

The plaintiff can also obtain damages and a reasonable fee from the defendant for the violation; see the Marketing Practices Act, Section 20 (2), (3) and (4).

The above remedies are cumulative.

## 3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

No, the injured party (the plaintiff) does not have this remedy at hand. The access to obtain ex parte orders to search premises – see the Administration of

Justice Act, Chapter 57a (implementing Directive 2004/48/EC on the enforcement of intellectual property rights, article 8) - only applies to the "ordinary" IP rights such as copyright, patents, trademarks etc., not including mere trade secrets.

However, if the alleged violation is subject to a criminal investigation by the police, the police may carry out a search and seizure in accordance with the ordinary rules for such investigatory steps.

The defendant cannot be ordered to incriminate himself.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

- (a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?
- (b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?
- (c) What is the average duration and cost of proceedings from initiating the claim to final judgment?
- (d) Are cases involving technical trade secrets heard by specialist judges?
- (e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?
- (f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?
- (g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

See item 2 above.

The average duration from initiating the claim to final judgment is approximately 1-2 years and the costs are usually in the span between €30,000 and €100,000.

When persons are giving evidence during a court hearing, and if the evidence concerns trade secrets, the court may decide according to Section 29 of the Danish Administration of Justice Act that the doors are to be closed to the general public.

Further, according to Sections 306 and 307 of the Danish Administration of Justice Act, the court can order that the infringer and/or any other person provides information on goods or services that infringe an intellectual property right, provided that the person e.g. has been in possession of the infringing goods or has been involved in the production, manufacture or distribution of the goods. A request for disclosure may be refused by the court if it is assumed that the claimant's interest in the information is disproportionate to the harm the information may cause to the person providing the information, e.g. if the information comprises trade secrets, which again underlines that the measures protects trade secrets.

There is no statistic as to how many trade secrets actions that are heard by the Danish courts, neither any statistics indicating the average outcome of said actions.

5. What defences are available to the defendant in a trade secrets action?

The defendant can either claim that the information in dispute is not trade secrets, or that the information in dispute solely derives from making use of the general technical and/or commercial skills acquired during vocational training or in the course of the previous employment relationship.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

See item 2 and 5.

It is a basic requisite that said information is of commercial value and of significant importance to the company.

The information must have been guarded as a secret and thus only have been known by a limited number of employees.

The owner of the trade secret must be able to prove the importance of the trade secrets, but there is no regulation as to how said importance must be proved.

7. As to award of damages:

- (a) What are the available options?
- (b) What are the criteria to determine and calculate damages?
- (c) Are punitive damages available for breach of trade secrets?
- (d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

It is possible to claim damages and compensation due to infringement of Section 19 of the Danish Marketing Practices Act or due to basic principles of law provided that the owner of the trade secrets has suffered an actual loss.

The claim of damages is calculated based on the actual suffered loss, whilst the claim of compensation is calculated based on what is rendered a "fair compensation" for the infringement, i.e. a reasonable licence fee.

It is not possible to be awarded punitive damages.

There is no available statistic indicating the average quantity of awarded damages in civil proceedings. In broad terms damages awarded by the Danish courts are fairly low and usually lower than what is claimed.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Danish legislation distinguishes between trade secret violations committed when the undisclosed information was accessed by means of employment and those practiced by means of fraud, "espionage" or other improper measures. The former is regulated by Section 19 of the Danish Marketing Practices Act, whereas the latter is protected by Section 264 of the Danish Criminal Code.

The Subsections of Section 19 covers different types of trade secret violations:

(1); undue appropriation of trade secrets in a contract of service or in the performance of assignment.

(2), (3) and (4); undue use of passing on duly appropriated trade secrets.

(5); Tradesmen's use of trade secrets acquired in conflict with Subsection (1)-(4).

Said violations are not treated differently by the law, for the civil remedies, see item 2.

Any unauthorised person who intentionally opens or deprives someone of e.g. a letter, a fax, etc., and acquaints himself with the contents for the purpose of appropriating trade secrets from an enterprise, is liable to a fine or imprisonment for a term not exceeding six years according to Section 263 of the Civil Penal Code. The same applies to any person who by aid of equipment secretly listens to or records statements made in private, telephone conversations, etc., in which such a person is not taking part or to which such a person has unlawfully obtained access.

Under special circumstances, any person who unlawfully obtains access to another person's house or to any other private place is liable to a fine or imprisonment for a term not exceeding six months, cf. Section 264 of the Civil Penal Code. Under aggravating circumstances, the offence may carry a more severe penalty for a term not exceeding six years.

As for persons who have not committed an offence mentioned in Sections 263 and 264, but who have unlawfully made use of or have availed themselves of information furnished through such offences, the penalty provisions are also applicable.

9. Are the remedies identified for your jurisdiction also enforceable against:

- (a) A person who obtains trade secrets in good faith? and/or
- (b) A person who autonomously developed the same information?

See item 8.

The civil remedies can be enforced against a person or a company who have obtained trade secrets in good faith, cf. Section 19(5).

Trade secrets are not protected against information autonomously developed by others.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- (k) While the employee is still employed?
- (l) Once the employee has left his employment?
- (m) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

See item A7, B1 and B2 above.

According to Section 19 of the Danish Marketing Practices Act, confidential information or trade secrets belong to the employer, regardless of how the information originated from the employee. An employee may not unlawfully use or pass on such information, and this prohibition lasts 3 years after the employment relationship has been brought to an end.

It is common to include clauses regarding the employee's "Duty of Confidentiality" in the contract of employment.

The clauses regarding confidentiality may have the following wording:

The Employee is bound by a duty of confidentiality concerning any information he [she] acquires in the line of his [her] work for the Company, unless it involves information which, according to its nature, is intended for a third party. This confidentiality clause remains in force also after the termination of the employment relationship.

The Employee must ensure that all documents, information, etc. regarding the Company's affairs that are available to the Employee, e.g. price lists, customer lists, calculations, market surveys, etc., are stored safely and not disclosed to unauthorised persons.

Said clauses apply for scenarios (a) and (b).

Should the employer, however, need a more thorough protection against the employees, this can be achieved through (i) competition clauses, (ii) non disclosure agreements and (iii) non use agreements. Competition clauses are only valid and enforceable if the employee is fairly compensated. For non disclosure and non use agreements, see item B12 below.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

	Civil remedies	Criminal/administrative remedies
Pros	Fast, interim remedies available, possible to control the progression of the case	Less expensive, the police can make a search



Cons	Expensive, limited access to search and seizure orders	Slow, the progression of the case is determined by the prioritization of the public prosecutor
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12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

Trade secrets are protected through licensing, non use agreements and non disclosure agreements. However, trade secrets/confidential information should always be defined in detail in order for the parties to establish the required evidence if e.g. court actions are initiated at a later stage between the parties.

Further, the ownership should be clarified between the parties in respect of exploitation of trade secrets during and after the term of the agreement, including trade secrets which may have occurred between the parties during the term.

As to the enforceability of said agreements, see item 13 below.

13. With regards to non disclosure and non use agreements:

- (k) Are they effective and enforceable in your jurisdiction?
- (l) If so, is prevailing enforcement provided by contract law, unfair competition law, other?
- (m) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

As trade secrets enjoy protection under the Marketing Practices Act and due to basic principles of law regarding loyalty, it is not uncommon that employers disregard the option of drafting non-disclosure agreements.

Contracting parties may, however, agree to non-disclosure and non-use agreements. However, unfair competition law prevails in relation to contract law in this regard and defines the scope of an infringement. Accordingly, an agreement may be set aside if it is contrary to unfair competition law.

In Denmark, unilateral imposition of non-disclosure on a person who is leaving a company or is retiring is possible to a certain extent depending on whether or not said non-disclosure serves to protect the employer's legitimate rights. Said action is, however, not necessary: Even if such non-disclosure is not imposed, former employees will according to Danish case law have a duty of loyalty after leaving a company, regardless of the reason for leaving the company (voluntarily or otherwise).

This duty also implies that trade secrets must not be revealed to third parties. However, as mentioned in item 3, the legal basis has recently been modified by a judgment passed by the Danish Supreme Court in 2006 when the court ruled that the employee had not breached his obligations according to the Danish Marketing Practices Act when using confidential information subsequent to his termination with his previous employer, see A7.

The US doctrine according to which a former employer can prevent the employee from taking a new job and prevent the new employer from hiring the employee merely because the employee had such knowledge that would "inevitably" be disclosed is not applicable under Danish laws.

However, depending on the employee's role within the organisation, an employer and an employee may enter into an agreement that includes a non-competition clause according to which the employee is prevented for a certain time period from carrying out certain duties for the employer's competitors when the employment relationship has been terminated.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

Litigation could be initiated in Denmark if (b) the misappropriation *or* (c) the unlawful use takes place in our jurisdiction *or* if (d) the infringing party is domiciled here. The location (a) of the creation of the trade secrets is irrelevant under Danish law.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

In regard to judgments from other EU countries, yes.

Judgments from countries outside the EU, not included in the Brussels Regulation, Council Regulation 44/2001, are not always recognized as enforceable.

## Estonia

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Yes, there are a number of acts containing specific provisions for the protection of trade secrets, most importantly the Competition Act [RT I 2001, 56, 332], but also the Commercial Code [RT I 1995, 26, 355], the Employment Contracts Act [RT I 2009, 5, 3] and the Penal Code [RT I 2001, 61, 364] include specific provisions on protection of trade secrets. Contrary to some other European countries, Estonia does not have a special act on the protection of trade secrets.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

The protection of trade secrets is legally granted under the regulation of unfair competition. The existence or absence of unfair competition is ascertained in a dispute between parties held according to the civil procedure (non-contractual liability - unlawful causing of damages).

If the obligation to maintain trade secrets arises from a contract the protection is granted under civil law and the contractual liability is applicable.

The terms used in the Estonian legislation in regards to trade secrets are also "confidential information" and "business secrets".

The Competition Act also provides a definition of business secrets. Section 63 (1) of the Competition Act prescribes that information concerning the business activities of an undertaking the communication of which to other persons is likely to harm the interests of such undertaking, above all, technical and financial information relating to know-how, information concerning the methodology of validation of expenditure, production secrets and processes, sources of supply, volumes of purchase and sales, market shares, clients and distributors, marketing plans, expenditure and price structures and sales strategy are deemed to be business secrets. Information subject to disclosure or disclosed to the public, decisions and precepts made by the Competition Authority and documents prepared by the Director General of the Competition Authority or any other official of the Competition Authority from which business secrets have been excluded are not deemed to be business secrets.

The respective regulation is not under the chapter that regulates unfair competition. The list of information that is considered trade secrets provided in section 63 (1) of the Competition Act is an illustrative list that is actually meant for the officials of the Competition Authority (the section is located under the chapter - State Supervision) since the officials of the Competition Authority are obligated to maintain trade secrets that they become aware of during respective proceedings. The Estonian Supreme Court has found in its resolution No 3-2-1-103-08 from 9 December 2008 that although the respective list is meant for the officials of the Competition Authority it gives a general overview of what potentially could be considered an undertaking's trade secrets. The Supreme Court also stated that besides this definition in section 63 (1) of the

Competition Act the definition of trade secrets provided in the TRIPS Agreement also is applicable when defining the term "trade secrets". Applicability of the definition of trade secrets in the TRIPS Agreement has also been ascertained in other cases (both criminal and civil) related to trade secrets.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

N/A

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

The Estonian law does not provide any indications if trade secrets could be perceived or protected as intellectual property rights. The legislation that concerns industrial property (i.e. Principles of Legal Regulation of Industrial Property Act) does not include any references to trade secrets as intellectual property.

The general regulation of trade secrets is only covered by the Competition Act. It should also be noted that the explanatory memorandum of the Competition Act does not include any references to intellectual property law but describes unfair competition (*inter alia* protection of trade secrets) as a secondary area of competition law. Also for example the criminal liability for trade secrets violation is not provided under the chapter on Offences against Intellectual Property but under the chapter Offences relating to Companies. Therefore it is more likely that trade secrets are not protected as intellectual property in Estonia but there is no case law to confirm this conclusion or to refute it.

The legislation that implemented the directive on enforcement of intellectual property rights concerns only copyright, related rights and industrial property. There is no reference to unfair completion or trade secrets.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

It has been stated in the Competition Act that trade secrets can generally contain technical and financial information relating to know-how, information concerning the methodology of validation of expenditure, production secrets and processes, sources of supply, volumes of purchase and sales, market shares, clients and distributors, marketing plans, expenditure and price structures and sales strategy. This is an illustrative list of what can be considered trade secrets.

As noted before, although this Section of the Competition Act that provides the respective definition is actually meant for the officials of the Competition Authority in connection with their obligation to maintain trade secrets that they become aware of during the respective proceedings, it has been used in both criminal and civil proceeding to furnish the term "trade secret".

Also any information that is in conformity with the terms of trade secrets under the TRIPS Agreement (manufacturing technology, commercial know-how etc.) is recognized as a trade secret in the Estonian jurisdiction. No differences are made by the law.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

It could be considered an inadequacy of the Estonian law on trade secrets that the relevant provisions are spread over different acts and trade secrets as an object of protection seem in general to fall into a "grey area". There is no clear answer today if trade secrets fall under the protection of intellectual property or not.

Another problem with the law on trade secrets is that the regulation is quite generally worded and due to shortage of case law, insured parties are quite reluctant to initiate respective proceedings.

Also it is problematic that the terms "trade secret", "business secret" and "confidential information" are used interchangeably in legislation and there is no unified term or definition. A general definition of a trade secret could further the efficiency of the system of protection. This could however be a difficult task as the existence of a trade secret is often interpreted on a case-by-case basis.

Yes, we do believe that a European harmonized and common legislation for the definition and effective protection of trade secrets would be feasible and positive.

There are no current proposals for new legislation.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

First of all, it must be noted that there is very little case law on the protection of trade secrets. The trade secrets have been analyzed by Estonian courts in connection with unfair competition by former employees and members of the management board.

*Supreme Court decision No 3-2-1-115-05*: the respective case involved misuse of trade secrets together with revocation of a utility model. Persons involved with the alleged misuse of trade secrets were former employees, members of management and supervisory board of the plaintiff. The court found in its decision that an employee is required to follow the confidentiality obligation and refrain from using the employer's trade secrets if it is stipulated so in the employment contract. The court also states that the regulation of the employment contract as well as any other non-disclosure agreement needs to stipulate what information qualifies as trade secrets. Otherwise violation of trade secrets cannot be proven. In the current case the claim was dismissed since the plaintiff was not able to prove what its trade secrets were.

*Supreme Court decision No 3-2-1-22-07*: the court states in its decision that the term "trade secret" has not been defined in the Estonian law and therefore the principles of Article 39 of the TRIPS Agreement can be followed. The court also established that information regarding clients and related price strategy can be considered a trade secret if the information as whole is not easily accessible or generally known to an undertakings in the same field of activity, which means that the information has commercial value.

*Supreme Court decision No 3-2-1-103-08*: the court noted that in order to analyze the misuse and prohibited publication of a trade secrets, it is necessary to determine what certain undertaking's "trade secrets" are. Otherwise it could hinder freedom of business.

The court established in its decision that the term "trade secret" has not been defined in the Estonian law, thus it has to be interpreted from Article 63 of the Competition Act in combination with the TRIPS Agreement Article 39 principles. Also, the court states that the term "trade secret" might also be interpreted based on the case law of Member States of the EU with similar legal background (e.g. Germany). The respective claim was dismissed.

*Supreme Court decision No 3-1-1-46-09*: two employees were not held liable in a criminal case related to misuse of trade secrets since the information used was not considered a trade secret. The Court also referred to TRIPS Agreement Article 39 when defining the term "trade secret" as in civil cases and came to a conclusion that the respective information related to suppliers and their products cannot be considered a trade secret if the information as whole is generally known or easily accessible (i.e. by making an inquiry to the supplier) to any undertakings in the same field of activity.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

Eveli Ojamäe: "Saladuse hoidmise kohustus ja konkurentsipiirang uues töölepingu seaduses" [Obligation of secrecy keeping and competition restriction in the new employment act], *Juridica* 2009, No 4, pp. 236-243. Discussion on the new Estonian Employment Act.

Mario Rosentau: "Intellektuaalse omandi õigused infotehnoloogia valdkonnas. Infotehnoloogilise loomingu olemus" [Intellectual property rights in information technology. Substance of information technology works] *Juridica* 2008, No 3, pp. 171-183. Discussion on information technology and intellectual property rights, including computer programs and databases as trade secrets.

Eveli Ojamäe: "Töötaja vastutus konkurentsikeelu ja konfidentsiaalsuskohustuse rikkumise eest" [Liability of an employee in regard of infringement of competition restriction and confidentiality obligation], *Juridica* 2006, No 3, pp. 199-209. Discussion on the criminal liability of an employee for misuse of trade secrets.

Eveli Ojamäe: "Konfidentsiaalse teabe määratlemine töösuhtes" [Defining confidential information in employment relations], *Juridica* 2005, No 10, pp. 719-730.

"Äripäeva Ettevõtja Käsiraamat" – a collection of different legal aspects necessary for operating a company, published by an Estonian daily economic newspaper Äripäev.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

According to section 53 of the Competition Act the existence or absence of unfair competition shall be ascertained in a dispute between parties held according to civil procedure.

Since the Competition Act does not provide a regulation for commencing legal proceedings in case of unfair competition the general regulation of torts (non-contractual liability - unlawful causing of damages) is followed.

- 1) In order to file a claim for unlawful causing of damages the following elements must be established:
  - a) objective composition of the act:
    - i) infringer's act (unauthorised use, disclosure, misappropriation etc. of trade secrets);
    - ii) damage to the plaintiff;
    - iii) the causation between the respective infringer's act and the damage to the plaintiff;
  - b) unlawfulness of the respective act; and
  - c) culpability of the infringer (through carelessness, gross negligence or intent).
- 2) If the obligation to maintain trade secrets arises from a contract, then in order to commence legal proceedings the following elements must be established:
  - a) a valid contractual obligation to maintain the trade secret;
  - b) the obligation is in force; and
  - c) breach of the contractual obligation.

2. What civil remedies are made available? Are the remedies cumulative?

Liability for damages caused through violation of a trade secret, not based on breach of any contractual provision, is determined based on the tort liability prescribed by the Law of Obligations Act.

For non-contractual liability the plaintiff may seek compensatory damages and demand that the damaging behaviour be ceased (injunction). The plaintiff may resort to the mentioned legal remedies separately or simultaneously.

For contractual liability, the plaintiff may seek performance of the obligation or withhold performance of the obligation (as appropriate); compensatory damages; termination of the contract; and a penalty (if the parties have agreed on a penalty for breach).

Damages may also be sought due to the breach of a contractual provision, in accordance with the manner of dispute resolution agreed upon. It is possible and quite likely that the court would order the defendant to pay the contractual amount of damages agreed upon, in case a breach has occurred. It is however possible for the court to adjust the amount of damages under the Law of Obligations Act if the relevant provisions can be held as unreasonable. Damages based on a contractual penalty clause may amount to compensation greater than the actual loss suffered.

The plaintiff may resort to any legal remedy separately or resort simultaneously to all legal remedies which arise from law or the contract and can be invoked simultaneously unless otherwise provided by law or the contract.

In case of contractual obligations the demand for performance of the obligation i.e. to maintain trade secrets due to its nature includes the prohibition to use, disclose etc. trade secrets, therefore no separate legal injunction is applied for.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

There are no special provisions that regulate ex parte orders in case of trade secrets. Therefore the general provisions of (pre-trial) taking of evidence and measures for securing an action are applicable.

Search of premises and computer systems for misappropriated data and requiring the suspect to provide information as to the whereabouts of documents and files containing such data are pursuant to our experience procedural acts that can be performed during a criminal proceeding by the respective investigative body.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

#### Securing an action (*interim injunction*)

The court may secure an action at the request of the plaintiff if there is reason to believe that failure to secure the action may render compliance with the judgment difficult or impossible. In order to file a petition to secure the claim one has to prove that without securing the action rendering compliance with the judgment would be difficult or impossible.

The court may, by way of securing an action, provisionally regulate a disputed legal relationship and, above all, the intended purpose of a thing, if this is necessary for the prevention of significant damage or arbitrary action or for another reason.

The court may also secure an action based on a petition before the action is filed. In this case the petition shall set out the reasons for not filing the action immediately.

The defendant and other participants in the proceedings are not notified of the hearing of a petition for securing of the action. If this is clearly reasonable and, above all, if provisional regulation of the disputed legal relationship is requested by the petition, the court may first hear the defendant.

#### Pre-trial taking of evidence

Pre-trial taking of evidence without informing the opposing party is an option only in cases of intellectual property infringements. Under the Code of Civil Procedure if due to an infringement or danger of infringement of copyright and related rights or industrial property rights of a person, pre-trial taking of evidence is requested in order to safeguard evidence before an action has been filed, the court shall initiate and complete the pre-trial taking of evidence without informing the opposing party thereof, if a delay



could result in irreparable damage to the petitioner or if the evidence could otherwise be destroyed or lost. In other cases (including misuse of trade secrets) the court serves the application for initiation of pre-trial taking of evidence and the court ruling on initiation of the proceeding on the opposing party and the representatives thereof in a manner which enables the opposing party to protect the interests thereof in such proceeding.

The difficulties in enforcing trade secret legal protection are often related to evidence. The plaintiff does not have enough evidence to prove misuse of trade secrets. If pre-trial taking of evidence without informing the opposing party was also possible in case of trade secrets it would make the plaintiff's position much better in relation to gathering evidence in the proceeding. On the other hand such an option could also be misused by a plaintiff acting in bad faith.

#### Taking of evidence

It is possible to require the defendant to provide information as to the whereabouts of documents and files containing such data according to the general procedure of taking of evidence. Under the Code of Civil Procedure a person in possession of a document has the obligation to submit the document to the court at the court's request within the term set by the court. If the opposing party denies possession of a document, such party shall be heard under oath concerning the failure to submit the document. If the court is convinced that the opposing party is in possession of a document, the court shall make a ruling whereby the opposing party is required to submit the document to the court.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

There is no special time limitation for injunctions related to trade secrets. The general rules of limitations apply under which limitation period of a judgment which has entered into force is 10 years.

A court judgment which has entered into force is mandatory to the participants in the proceeding. If the party does not voluntarily comply with the judgment, the plaintiff can request the bailiff to carry out the enforced judgment. This means in practice that the bailiff will officially notify the adverse party of the injunction and see that it is realized.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

It is difficult to provide any average estimate on duration and cost of proceedings, as said facts depend on the issues raised in the individual case.

A rough estimate for the duration of proceedings at the first instance is between one year and two years from initiating a proceeding. The possible appeal phase can then take an additional year or two, after which there is the possibility of a further phase at the Supreme Court which might also take a year (for which leave to appeal is rarely granted).

The average cost of proceedings is also difficult to assess, the proceedings may cost anything between 15.000 and 100.000 Euros.

(d) Are cases involving technical trade secrets heard by specialist judges?

No, there are no such specialist judges.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

Trade secrets can quite effectively be protected from disclosure to the public in connection with Court proceedings. The public can and often is excluded from the proceedings in case the matter involves trade secrets. The public can be excluded only from the part that trade secrets are discussed or from the entire proceeding.

The court can declare a proceeding or a part thereof closed on the initiative of the court or based on a petition of a participant in the proceeding if this is clearly necessary:

- 1) for the protection of trade secrets or other similar secrets and if the interest in public hearing is not higher than the interest in protection of the secret;
- 2) for hearing a person obligated by law to protect confidential information or business secrets of persons if the person is entitled by law to disclose such information and secrets in the course of a proceeding.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

It is very difficult to give even a rough estimate of cases, since trade secret related cases can be heard in any county court in Estonia, and the courts do not provide statistics on such cases. Our estimate is that there are only a few trade secret related cases heard in Estonian courts yearly. The cases we are aware of have usually focused on supplier and customer information but there have also been cases related to product information.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

In an action, each party must prove the facts on which the claims and objections of the party are based on. The plaintiff is the party that must provide specific information on the trade secrets in question and the misuse. It can be sometimes difficult to prove that the information in question is a trade secret, if it is close to general professional knowledge or easily accessible. Also proving the misuse by the defendant is often very difficult.

5. What defences are available to the defendant in a trade secrets action?

The defence that is often used is reference to the defendant's own professional and business knowledge or that the information is of general knowledge or easily accessible by anyone.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

It is difficult to point out what is most considered by the courts since it depends on the circumstances of the case.

The proprietor of trade secrets is required to adopt adequate measures to protect its trade secrets. Indications of this can be the use of non-disclosure clauses in agreements or activities carried out at the premises of the business. The commercial value of the information is also considered especially if the respective information is close to general knowledge or easily accessible.

7. As to award of damages:

(a) What are the available options?

In trade secret matters, damages are assessed according to the general provisions on damages contained in the Law of Obligations Act.

Of course, in case of contractual relations damages can also be awarded based on a contractual clause (especially if contractual penalty has been agreed upon).

(b) What are the criteria to determine and calculate damages?

In terms of awarding damages in general, it is for the plaintiff to show that the misuse of trade secrets has caused damages to the plaintiff.

Under the Law of Obligations Act a person shall compensate for damage only if the circumstances on which the liability of the person is based and the damage caused are related in such a manner that the damage is a consequence of the circumstances (causation).

In case of contractual relations a non-conforming party shall only compensate for such damage which the party foresaw or should have foreseen as a possible consequence of non-performance at the time of entering into the contract unless the damage is caused intentionally or due to gross negligence.

The prohibition of unjust enrichment is also taken into account. In other words, the purpose of compensation for damage is to place the aggrieved person in a situation as near as possible to that in which the person would have been if the circumstances which are the basis for the compensation obligation had not occurred. This rules out any form of punitive damages. However, it is possible that a contractual penalty clause leads the plaintiff to a better situation than had the misuse not occurred.

The Court is in all cases at liberty to assess the amount of damages, which can be influenced by arguments and documentation presented by the parties. Relevance can be attached, for example, to the amount of benefit the adverse party has gained from the use of the trade secrets.

(c) Are punitive damages available for breach of trade secrets?

No, see above.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

It is quite difficult to give an average amount since there have been only a few cases where damages have been actually awarded. In those cases the damages range from EUR 20 000 to EUR 34 000. This number might also not be entirely accurate since it is only based on the resolutions of the Supreme Court that are made publicly available.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations

resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Estonian legislation distinguishes cases of trade secret violations resulting from breach of contract obligations from other improper actions, i.e. from non-contractual liability. Also criminal sanctions can be pursued in addition to damages if the conduct meets the criteria set in the Penal Code (please see the Criminal Law questionnaire).

As for damages, there is generally no difference if they are sought in civil proceedings or by filing a civil action in the criminal proceeding (except there is no state fee for such claim in the criminal proceeding).

9. Are the remedies identified for your jurisdiction also enforceable against:

- (a) A person who obtains trade secrets in good faith? and/or
- (b) A person who autonomously developed the same information?

The remedies are generally available and the case may be brought in any circumstances. However, if a person can show that he autonomously developed the same information or that said information is part of his own professional knowledge, he would not be held liable for trade secret violations.

In case good faith is shown, it could have some effect in the way the case is decided but this is not as likely. Relevance can be attached to the degree of correspondence between the information allegedly developed by the defendant and the trade secrets (in case b) and also to what the adverse party should have understood about the nature of the information as a trade secret (in case a).

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- (n) While the employee is still employed?

Employee is required to maintain the confidentiality and refrain from using the employer's trade secrets if it is stipulated so in the employment contract. The regulation of the employment contract needs to stipulate also what information qualifies as trade secrets.

- (o) Once the employee has left his employment?

Again, may be agreed in the employment contract taking into account the above. The confidentiality clause may be applied without a time limit and without paying any compensation to the employee.

- (c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Please find a standard wording of the confidentiality clause addressing both scenarios (a) and (b) attached.

In general, confidentiality clause is enforceable under Estonian law, but the contractual penalty for breaching it is often decreased by courts upon employee's request.

Courts differentiate between "real" trade secrets and information that is easily obtainable from other sources without investing much time or resources.

*1.1 The Employee shall maintain the Employer's business and production secrets during the term of the Employment Contract and for an unspecified term after the*

*expiry of the Employment Contract, and the business and production secrets of the companies included on the same group with the Employer ("Employer's business secrets"). The Employee shall implement reasonable measures to avoid the disclosure of the Employer's business secrets to any third parties.*

- 1.2 *The Employer's business secrets include the following details:*
  - 1.2.1 *parties, content and terms and conditions of any contracts that have been entered into or will be entered into;*
  - 1.2.2 *business plans, strategies, development plans, future plans, analyses and market research;*
  - 1.2.3 *all and any details regarding the employees;*
  - 1.2.4 *all and any details regarding the customers, business partners and their activities;*
  - 1.2.5 *economic results in the scope that these are publicly unavailable;*
  - 1.2.6 *formation of price of goods and services;*
  - 1.2.7 *information on processes and schemes applied in the course of production as well as other plans and realizations in the field of technology, business, finances or product development;*
  - 1.2.8 *all and any documents marked as "Confidential";*
  - 1.2.9 *any other information that the Employee has received during the term of the Employment Contract in connection with performing the duties of employment, which the Employer has justified interest for keeping confidential or which the Employer has additionally defined as the Employer's business secret.*
- 1.3 *The violation by the Employee of the obligation stipulated in clause 1.1 of the Employment Contract is deemed a fundamental violation of the Employment Contract, which may provide basis for the extraordinary termination of the Employment Contract by the Employer without providing any advance notice of the termination.*
- 1.4 *Irrespective of the fact whether the Employer decides to terminate the Employment Contract or not, in case of violating the obligation stipulated in clause 1.1 the Employee shall pay to the Employer on the latter's request contractual penalty in the amount of up to the Employee's 6 months' remuneration for each violation. In addition to the contractual penalty, the Employee undertakes to compensate for the loss inflicted on the Employer by violating the obligation to maintain business secrets in the part that is not covered by the contractual penalty. The Employee pays to the Employer the contractual penalty stipulated in this clause and compensates for the loss exceeding the contractual penalty within 10 working days after receiving the respective request of the Employer. The payment of the contractual penalty and compensation to the Employer for the loss by the Employee pursuant to this clause shall not release the Employee from the performance of the obligation stipulated in clause 1.1 of the Employment Contract.*

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

There are no administrative remedies in Estonian in relation to trade secrets. Taking into account that criminal remedies are also possible only in very limited cases, in most cases civil remedies are the only way to go.

If there is an option to choose between the two, then the main pros and cons mostly relate to obtaining of evidence. If there are grounds for initiating criminal proceedings against a potential trade secret violation, it is clear that the police investigating such

matters have more extensive powers of obtaining information and evidence than would be the case in civil proceedings.

However, it may be the case that criminal proceedings can be more burdensome to the trade secret holder as they usually take more time than civil cases and may attract publicity. Also the injured party does not have a very active role in the criminal proceeding. Our experience also shows that the police are often reluctant to initiate a criminal proceeding if an option to initiate a civil proceeding also exists.

Civil remedies can be more flexible to use, especially in case the plaintiff wants to take an active role in the matter. It can also be easier to establish misuse as the establishment of negligence will suffice, contrary to criminal proceedings where intent must be shown.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

According to our experience, non-disclosure agreements or clauses are most often used and can often be strengthened with clauses on contractual penalty. Alleged breaches of non-disclosure obligations can be settled according to the manner of dispute resolution agreed between the parties and are generally enforceable.

13. With regards to non disclosure and non use agreements:  
(n) Are they effective and enforceable in your jurisdiction?

Such agreements are generally enforceable. This does not mean that such an obligation will necessarily be enforced in all respects in accordance with its terms, as this may be affected by the circumstances of the case.

(o) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Such agreements will be assessed in accordance with contract law (i.e. Law of Obligations Act) and employment law (i.e. Employment Contracts Act) in case related to an employment agreement.

(p) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

No, it does not.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

The main requirement for bringing an action to an Estonian court is that the defendant is domiciled in Estonia. Therefore, the cases mentioned above would be possible as exceptions to this general rule (being based on the fact that the potential damage to the trade secret holder has occurred in Estonia), but not necessarily very common or practically realizable. Such questions would in case of European jurisdiction be decided by the Court according to the EU regulation 2001/44/EC and in case of non-European jurisdiction according to the Lugano Convention.

According to the Code of Civil Procedure an action for compensation for illegally caused damage may be filed also with the court of the place of performance of the act or occurrence of the event which caused the damage. Therefore litigation could be actionable in Estonia at least in cases (b) and (c) as these are both activities the proprietor of trade secrets could invoke as grounds for the claim according to Estonian law.

Case (d) would also be possible, as it is in theory possible to commence an action in Estonia even though the parties would be domiciled in a foreign jurisdiction, in case the connection of the matter to Estonia is in other ways clear and at least one of the parties would be engaging in business in Estonia. It would also be possible to commence an action in Estonia even though the parties would be domiciled in a foreign jurisdiction if the parties have concluded an agreement on jurisdiction (chosen it to be Estonia).

The mere case (a) by itself would in our opinion not give grounds to an action in Estonia if, for example, the companies do not operate in Estonia at the time of the action and no damages have been caused in Estonia (and there is no agreement on jurisdiction).

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

According to EU regulation 2001/44/EC, judgments from other EU states would be recognized in Estonia as well, in case the criteria of the regulation are met. As for other countries, the case would depend on possible bilateral agreements between said country and Estonia, and no clear answer can be given.

## Finland

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Yes, there are a number of acts containing specific provisions for the protection of trade secrets, most importantly The Unfair Business Practices Act (1061/1978 with amendments) and the Employment Contracts Act (55/2001 with amendments). Contrary to e.g. Sweden, Finland does not, however, have a special act on the protection of trade secrets.

The protection of trade secrets disclosed in legal proceedings is also secured by virtue of the Act on the Publicity of Court Proceedings in General Courts (370/2007 with amendments), the Act on the Openness of Government Activities (621/1999 as amended) and the Act on the Safeguarding of the Presentation of Evidence in Disputes concerning Copyright and Industrial Property Rights (344/2000 with amendments).

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Unfair Business Practices Act (unfair competition law, intellectual property law, civil law, non-contractual liability), the Employment Contracts Act (labour law, intellectual property law, civil law, tort law, contractual liability and non-contractual liability).

No definition of trade secrets has been adopted in the acts specified above. The relevant provisions usually mention both trade and business secrets, but no practical difference is made between the two. It has also been mentioned in the preparatory works of the Unfair Business Practices Act that it is difficult to come up with a specific definition. It is usually held that trade secrets refer to information which is important to keep confidential in terms of the proprietor company's business.

The only act governing the protection of trade secrets and containing a definition of business secrets is the Criminal Code. More information on these provisions can be found in the Criminal Law Questionnaire.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).



N/A

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

The broad definition of intellectual property rights under Finnish law also encompasses the set of norms providing protection against unfair business practices - which in turn comprehends the protection of trade and business secrets. Trade secrets are not, however, considered to be one of the typical intellectual property rights as they do not provide their proprietor with an exclusive right. Trade secrets are defined as certain secret information concerning an enterprise or its business, which is in the possession of the said enterprise and which is characterized by a will to keep the information confidential, a specific interest in doing so and in factual non-disclosure of the information.

The provisions on precautionary measures in the Act on the Safeguarding of the Presentation of Evidence in Disputes concerning Copyright and Industrial Property Rights (344/2000 with amendment 678/2006), which entered into force on 1 May 2000, are applicable to civil damages and injunction claims based upon infringement of Section 4 in the Unfair Business Practices Act (i.e. infringement of trade and business secrets). Section 7 a of the Act on the Safeguarding of the Presentation of Evidence in Disputes concerning Copyright and Industrial Property Rights (entered into force by law 2006/278 implementing the Directive) according to which a court may at the request of the claimant order a respondent found guilty of infringement of industrial or intellectual property rights, to provide the court with necessary data on the origin or the distribution networks of the infringing products or services in question does, however, not cover misuse of trade secrets.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

The definition of trade secrets as understood in the Finnish jurisdiction encompasses all confidential information concerning either an enterprise or its business, the confidentiality of which is important for the enterprise in question and the revealing of which would cause harm to the enterprise. In the preparatory works to the Unfair Business Practices Act, it has been stated that trade secrets can generally contain economic or technical information. Economic information can, for example, relate to the company's organization, contracts, marketing or pricing, whereas technical information can, for example, relate to used structures or material compounds.

In the preparatory works of the Employment Contracts Act, it has been stated that trade secrets can, in addition to economic or technical information, concern methods of working, computer programs, production volumes, formulas and customer registers. Thus, information concerning a business and not available to the public can usually be recognized as a trade secret in Finland, and no specific trade secrets are treated differently than others. It has been stated in case law that information that is insignificant regarding the company's business is not to be held as a trade secret even though the company would want to keep it secret.

The provisions on trade secrets in the Unfair Business Practices Act also mention technical models and technical instructions as objects of protection in addition to trade secrets. It could thus be said that trade secret legislation in certain cases also protects said models or instructions even though they would not due to the circumstances be

considered as trade secrets. However, criminal sanctions relating to trade secrets are not applied to the misuse of technical models or instructions unless considered trade secrets, and the use of such models or instructions can lead to a fine at most.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

It could be considered an inadequacy of the Finnish law on trade secrets that the relevant provisions are spread over different acts and trade secrets as an object of protection seem in general to fall into a "grey area", being related to intellectual property but not explicitly recognized as such.

An indication of this scattering can be seen in the fact that the terms "trade secret", "business secret" and "professional secret" are used interchangeably in legislation. The terms "technical model" and "technical instructions" used in the Unfair Business Practices Act can, according to legal professionals often be held as trade secrets, but this is not always the case. In general, it remains an open question whether the trade secret provisions in different areas of law are or should be interpreted differently.

Thus, a general definition of a trade secret could further the efficiency of the system of protection in this sense. This could nonetheless be a difficult task as the existence of a trade secret is often interpreted on a case-by-case basis.

It can also be quite hard for the plaintiff to prove that trade secrets have been misused, especially if the information concerned could be considered close to general professional knowledge of the defendant or a person in his position.

However, it should be noted that the mentioned facts do not in our opinion prevent businesses from taking effective action against the disclosure of trade secrets, even though a clarification and systematization of the issues could lead to an improved situation.

There are no current proposals on legislation related to trade secrets.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Supreme Court 1984 II 43: A, having misused a trade secret (blueprints of a machine) belonging to the company B in his new employment with the company X was held jointly liable with X for said misuse. The amount of damages was held quite low, as a professional could have built a similar machine in quite a short time without use of the trade secrets. As A had not gained any other benefit from the misuse in addition to his new employment, A's liability for damages was adjusted.

Supreme Court 1991:11: The company A was not held liable for trade secret violation (blueprints of a lifting platform), as the information in question could have been interpreted directly from the apparatus itself, which could freely be purchased by anybody. The question was rather of misuse of a technical instruction B had unlawfully acquired from his earlier employee and handed over to A.

Market Court 1995:007; A was not held liable for misuse of trade secrets because, among other reasons, he was an experienced professional in the field in question and because the design of the relevant products was closely determined by the products themselves, leaving little room for originality.

Market Court 105/07: The mere threat of a potential trade secret misuse, conditional upon several factors and assumptions, did not make it possible to provide an injunction pursuant to the Unfair Business Practices Act.

Market Court 166/10: The plaintiff's action for trade secret misuse was dismissed for, among others, the reasons that the plaintiff had not shown that it had tried to protect the confidentiality of the allegedly misused information. It was also emphasized that the defendants were experienced professionals in the field so it was not evident that they would have used the plaintiff's information when working for their new employer.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

Martti Castren: "Liike- tai yrityssalaisuuden suojan tehostaminen" [Enhancing the protection of trade or business secrets]. In the book *Luovuus, oikeus ja muuttuvat markkinat* by Marja-Leena Mansala (ed.). 2003, pp. 27-44. Deals with the question of protecting trade secrets from misuse by former employees and the ways to make this more effective. In addition, the question of intentional collecting of an employer's trade secrets is discussed.

Seppo Koskinen: "Ammatti- ja liikesalaisuus" [Trade secrets and professional secrets]. Edilex, 2002. Covers general information on trade secrets and employment contracts.

Klaus Nyblin: "Yrityssalaisuuden suoja ja entiset työntekijät" [The protection of trade secrets and former employees]. *Defensor Legis* 2/2003, pp.230-253. Deals with the protection of trade secrets from misuse by former employees.

Klaus Nyblin: "Yrityssalaisuusrikokset" [Crimes related to trade secrets] in the book *Talousrikokset* by Raimo Lahti & Pekka Koponen (eds.). 2007, pp. 207-251. Contains an extensive discussion on the criminal sanctions related to trade secrets.

Klaus Nyblin: Yrityssalaisuuksien suojaaminen ja oma henkilöstö [The protection of trade secrets in relation to the employer's own personnel] *Defensor Legis* 4/2008, pp.535-549. Discusses the ways in which an employer can find out whether employees have misused trade secrets.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

The proprietor of a trade secret wanting to prevent an imminent threat of or an ongoing violation of a trade secret may file a petition for a precautionary measure from the relevant District Court pursuant to Chapter 7, Section 3 of the Code of Judicial Procedure (1734 with amendments). The precautionary measure sought may be an injunction against disclosure or use of the trade secret under threat of a penalty fine, or seizure of documents or other material containing the trade secrets in question.

An applicant seeking a precautionary measure order under the Code of Judicial Procedure is required to establish that it is probable that he or she has an enforceable right against the opposing party by a decision referred to in the Enforcement Code. In addition, the applicant must show that there is a danger that the respondent by deed, action or negligence or in some other manner may hinder or undermine the realization of the right of the applicant or may essentially decrease its value or significance. When assessing whether to issue an injunction, the court is required to ensure that the opposing party does not suffer undue inconvenience in comparison with the benefit being secured.

According to the general rule, precautionary measures cannot be granted ex parte. However, if the purpose of the precautionary measures can otherwise be compromised, the court may, at the request of the applicant, order the precautionary measure without reserving the opposing party the opportunity to be heard, pursuant to Chapter 7, Section 5, Subsection 2 of the Code of Judicial Procedure.

An injunction may also be sought from the Market Court pursuant to Section 6 of the Unfair Business Practices Act if the applicant is an entrepreneur and can show that his or her trade secret has been violated by the respondent in accordance with Section 4 of the Act.

The applicant must prove that the respondent unjustifiably

- has obtained or attempted to obtain information regarding a business secret or has used or revealed information obtained in this unjustified manner;
- has used or revealed a business secret he or she has obtained while in the service of the applicant in order to obtain personal benefit, benefit for another or in order to harm another;
- has used or revealed a business secret, technical model or technical instructions that he or she has obtained while carrying out a task on behalf of the entrepreneur applicant; or
- has used or revealed a business secret, technical model or technical instructions of the applicant, which the respondent has been informed on by another, knowing that the informant had obtained the information unjustifiably.

Legal literature supports the view that it is also possible for the applicant to seek an injunction on grounds of Section 1 of the Unfair Business Practices Act, which is a general clause prohibiting activity that violates good business practice or is otherwise unfair to other entrepreneurs.

## 2. What civil remedies are made available? Are the remedies cumulative?

Remedies based on the violation of trade secrets between employers and employees may, in principle, be sought both on the basis of the Unfair Business Practices Act and the Employment Contracts Act (and based on potential written non-disclosure agreements between the parties) as well as the Tort Liability Act (412/1974).

If an entrepreneur finds that an employee has dishonoured his or her duty of loyalty by violating Chapter 3, Section 4 of the Employment Contracts Act and consequently decides to discharge the employee in question, the dispute and the potential related damages claim will be resolved by the general courts of law (or by the Labour Court if a collective labour agreement so requires). A damages claim based on a potential non-disclosure agreement between the entrepreneur and its employee is normally resolved by the general court of law (or by arbitration if the parties so have agreed or agree).

An entrepreneur considering its trade secrets to have been violated – either by another entrepreneur or by an employee – in accordance with Section 4 of the Unfair Business Practices Act may seek an injunction in the Market Court. An awarded injunction will be reinforced with a conditional fine, unless this is considered unnecessary for special reasons. Damages based on an injunction awarded by the Market Court must, however, be sought by separate civil action before one of the district courts.

Injunctions against the infringement of trade secrets can be awarded both by the Market Court and the District Court. Subsequent non-contractual compensation for damages cannot be cumulative in the sense that the claimant would receive compensation “twice”, exceeding the injury suffered.

Damages may also be sought due to the breach of a contractual provision, in accordance with the manner of dispute resolution agreed upon. It is possible and quite likely that the court would order the defendant to pay the contractual amount of damages agreed upon, in case a breach has occurred. It is however possible for the court to adjust the amount of damages under the Contracts Act (228/1929) if the relevant provisions can be held as unreasonable. Damages based on a contractual penalty clause may amount to compensation greater than the actual economic loss suffered

Liability for damages caused through violation of a trade or business secret, not based on breach of any contractual provision, is determined based on the Tort Liability Act (412/1974) Pursuant to Section 1 of the Act, compensation for economic loss that is not connected to personal injury or damage to property arises only where the injury or damage has been caused by an act punishable by law or in the exercise of public authority, or in other cases, where there are “especially weighty reasons for the same.” As required by the general principles of tort law, there must be a causal connection with the injury and the conduct of the person considered to have violated a trade or business secret.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

The remedies available for securing the presentation of evidence in copyright and industrial property right disputes are governed by the Act on the Safeguarding of the Presentation of Evidence in Disputes concerning Copyright and Industrial Property Rights. Pursuant to its Section 1, subsection 2, paragraph 2, the Act also applies to the safeguarding of the presentation of evidence in civil disputes concerning injunctions or claims for damages based on violations of business secrets pursuant to Section 4 of the Unfair Business Practices Act.

According to Section 2 of the Act on the Safeguarding of the Presentation of Evidence in Disputes concerning Copyright and Industrial Property Rights, a competent court of law may seize data that can be expected to be of relevance as evidence in any of the above-mentioned cases. In addition to (or instead of) ordering that data be seized, the court can also give an order of other measures, however not more severe than seizure, necessary for acquiring or preserving evidence.

The applicant of the precautionary measure must render it probable that he or she is the proprietor of a business secret, which can be established by decision pursuant to Chapter 3, Section 1 of the Execution Act, that this right is being infringed or that infringement is imminent. In addition, the applicant must show that there is a danger that the respondent or the one currently in possession of the data hide, destroy or assign the evidence or otherwise acts in a manner endangering the preservation of the evidence.

When deciding on a precautionary measure, the court must ensure that the respondent is not caused unreasonable harm in relation to the interest being secured.

Pursuant to Section 4 of the Act on the Safeguarding of the Presentation of Evidence in Disputes concerning Copyright and Industrial Property Rights, the court may, at the request of the applicant, issue the precautionary order ex parte. However, an ex parte order can only be given under the condition that the purpose of the precautionary measure becomes endangered if the respondent is allowed the opportunity to be heard. As a starting point the defendant shall, however, be present at the execution of the ex parte order and the procedure is, according to our experience, built on mutual cooperation.

The bailiff may request executive assistance from the police in order to get the injunction enforced. If necessary, the applicant of the ex parte order may assist the bailiff as an expert, provided that it is likely that this will not lead to the applicant obtaining information about trade secrets that are not related to the matter at hand.

More severe measures such as more extensive searches of premises and computer systems may, however, according to our experience only be conducted in connection with a criminal pre trial investigations.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

As stated above in question B1, preliminary injunctions are available in trade secret matters, provided that the mentioned requirements can be fulfilled. It remains for the proprietor to show that the trade secret exists and that said secret is in danger of being undermined, and also that the balancing of interests favors his position. In our opinion, said requirements can in some cases be difficult to meet, as the opposite party usually denies any such conduct and it can be hard for the plaintiff to provide evidence to back his claims.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Final injunctions are not time limited. It can be requested that an injunction ordered by the Court be carried out by the bailiff, which means in practice that the bailiff will officially notify the adverse party of the injunction and see that it is realized.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

It is difficult to provide any average estimate on duration and cost of proceedings, as said facts depend on the issues raised in the individual case.

A rough estimate for the duration of proceedings at the first instance is between one year and two and a half years from initiating a claim to the judgment. The possible appeal phase can then take an additional two to three years, after which there is the possibility of a further phase at the Supreme Court (for which leave to appeal is rarely granted).

The average cost of proceedings is also difficult to assess; the proceedings may cost anything between 200.000 and 700.000 Euros.

(d) Are cases involving technical trade secrets heard by specialist judges?

No. In case patents are involved, two technical experts will take part in the main hearing at the District Court. If the case is brought before the Market Court, the Court can use judges specialized in marketing law, but not on technical issues *per se*.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

Trade secrets can quite effectively be protected from disclosure to the public in connection with Court proceedings. The public can and often is excluded from the proceedings in case the matter involves trade secrets. The public can be excluded only for the part that trade secrets are discussed, but the judges often decide to hold the entire hearing behind closed doors, as it is more expedient if the presence of the public does not need to be assessed individually for each matter involved.

All relevant documents proving the claims of the parties need to be filed at the Court and examined at the main hearing. However, there are several statutes (mentioned in the answer to question A1) in place, under which the parties can request that documents or portions thereof be declared secret. The period of secrecy of trade secrets under such declaration can at most extend 25 years as calculated from the instigation of the proceedings.

Secrecy can be similarly protected in case the relevant information is acquired before the proceedings, ie. by the bailiff or the police.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

The Market Court hears only a few trade secret related cases yearly, if any. It is very difficult to give even a rough estimate of district court cases, since cases related to trade secrets can be heard in any district court in Finland, and the courts do not provide statistics on such cases. Our estimate is that there are only a few trade secret cases heard in Finnish courts yearly. The cases we are aware of have usually focused on product specifications and/or sales information.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

The plaintiff is the party that shall provide specific details of the trade secrets in question. In some cases, misuse of a trade secret has not been found when the plaintiffs have not been able to individualize the information for which misuse has been claimed. It can also be difficult to prove that the information in question is a trade secret, if it is close to general professional knowledge.

5. What defences are available to the defendant in a trade secrets action?

The defence that is often used is reference to the defendant's own professional and business knowledge and the nature of the information as being of a general nature.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

The trade secret owner is required to show that it has been active in trying to keep the information confidential. Indications of this can be the use of non-disclosure clauses in agreements or monitoring carried out at the premises of the business. However, it has been granted in case law that the degree of confidentiality of the trade secret can vary, and a trade secret can, for example, be known in several companies working in co-operation.

7. As to award of damages:

(a) What are the available options?

In trade secret matters, damages are assessed according to the general provisions on liability contained in the Tort Liability Act. It should however be noted that according to said act, damages are awarded for injury or damage to persons or property. Damages for economic loss not connected with injuries or damages to persons or property will only be awarded where the injury or damage has been caused by an act punishable by law or in the exercise of public authority, or in other cases, where there are "especially weighty reasons for the same."

It is entirely possible that if the defendant has been found liable for misuse of trade secrets, this would meet the criterion of "especially weighty reasons" and economic loss causally connected to the conduct of the opposing party would be compensated. Nonetheless, this is defined on a case-by-case basis.

Of course, damages can also be awarded based on a contractual clause (especially if liquidated damages have been agreed upon).

(b) What are the criteria to determine and calculate damages?

As stated above, damages are determined on the basis of a causal connection with the injury and the negligent or intentional conduct of the person considered to have violated a trade or business secret, and by additional conditions in case of claimed economic loss.

In terms of awarding damages in general, it is for the plaintiff to show that the misuse of trade secrets has been of significance to the company.

There are no standard criteria for calculating damages, other than for the prohibition of unjust enrichment. In other words, the party claiming damages cannot end up in a better position than he would have been had the damage not occurred. This rules out any form of punitive damages. However, it is possible that a contractual penalty clause leads the plaintiff to a better situation than had the misuse not occurred.

The Court is in all cases at liberty to assess the amount of damages, which can be influenced by arguments and documentation presented by the parties. Relevance can be attached, for example, to the amount of benefit the adverse party has gained from the use of the trade secrets. The amount can be lowered if the used information is largely of the type that a professional in the field could work out for himself.

(c) Are punitive damages available for breach of trade secrets?

No, see above.



(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

No average can be given as recent case law is largely silent on this question.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Trade secret violations are generally not distinguished from each other, apart from the fact that criminal sanctions can be pursued in addition to damages if the conduct meets the criteria set in the Criminal Code. As for damages, there is generally no difference if they are sought in civil or criminal proceedings.

9. Are the remedies identified for your jurisdiction also enforceable against:

- (a) A person who obtains trade secrets in good faith? and/or
- (b) A person who autonomously developed the same information?

The remedies are generally available and the case may be brought in any circumstances. However, if a person can show that he autonomously developed the same information or that said information is part of his own professional knowledge, he would not be held liable for trade secret violations. In case good faith is shown, it could have some effect in the way the case is decided but this is not as likely. Relevance can be attached to the degree of correspondence between the information allegedly developed by the defendant and the trade secrets (in case b) and also to what the adverse party should have understood about the nature of the information as a trade secret (in case a).

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- While the employee is still employed?

Can be easily prevented in the employment agreement and is also prohibited by law.

- Once the employee has left his employment?

May be agreed in the employment agreement.

Furthermore in cases where the employee has specific important information (business secrets) regarding the previous employer the parties may enter into a non-compete obligation, which may be in effect for a maximum period of 6 months after termination of the employment in question, or a maximum period of 12 months if the employee is reasonably compensated for this obligation.

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Below is an example covering both scenarios (a) and (b). The Courts do not generally make any standard difference between types of trade secrets, even though liability may be adjusted if the case only involves information that is close to general professional knowledge.

*The employee undertakes not to reveal or use outside [his/her] position in the Company any trade secret, secret formula, process or method, secret reports, data or any other*

*information which is neither published nor widely known with a monetary value to the Company, its parent company or any other company belonging to the same group of companies and which should be understood as confidential information. The employee obliges [himself/herself] to keep the knowledge of the Company, its parent company and any other company belonging to the same group of companies, which he/she has obtained through [his/her] position strictly confidential and such obligation shall continue for [two (2)] years after [his/her] service with the Company has expired.*

*In case the employee does not comply with the confidentiality obligations under this Section 7, the employee is obligated to pay a contractual penalty of EUR [ ] for each breach to the Company. The payment of the contractual penalty does not remove the obligation to pay compensation for damages for the amount that the damage to Company exceeds the amount of the contractual penalty nor remove the obligation of confidentiality.*

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

The main pros and cons mostly relate to the obtaining of evidence. If there are grounds for instigating criminal proceedings against a potential trade secret violation, it is clear that the police investigating such matters have more extensive powers of obtaining information than would be the case in civil proceedings.

However, it may be the case that criminal proceedings are more burdensome to the trade secret holder as they usually take more time than civil cases and may attract publicity. The launching of criminal proceedings also requires the surpassing of a threshold of suspicion that a crime has been committed.

Civil remedies can be more flexible to use, especially in case the plaintiff wants to take an active role in the matter. It can also be easier to establish misuse as the establishment of negligence will suffice, contrary to criminal proceedings where intentionality must be shown.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

According to our experience, non-disclosure agreements or clauses are most often used and can often be strengthened with clauses on liquidated damages. Alleged breaches of non-disclosure obligations can be settled according to the manner of dispute resolution agreed between the parties and are generally enforceable.

13. With regards to non disclosure and non use agreements:  
(q) Are they effective and enforceable in your jurisdiction?

Such agreements are as a starting point enforceable. This is not to mean that such an obligation will necessarily be enforced in all respects in accordance with its terms, as this may be affected by the circumstances of the case.

There is case law especially regarding non-compete obligations in which such obligations have often been held as justified and enforceable. There are however also cases where such obligations have been held unreasonable, mainly if the employee in question had not possessed any special knowledge or had not, for example, taken part in any special training for his former employee.

(r) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Such agreements will be assessed in accordance with contract law and employment law in case related to an employment agreement.

(s) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

No.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

Litigation would be actionable in Finland at least in cases (b) and (c) as these are both activities the trade secret holder could invoke as grounds for his claim according to Finnish law. Case (d) would also be possible, as it is in theory possible to commence an action in Finland even though the parties would be domiciled in a foreign jurisdiction, in case the connection of the matter to Finland is in other ways clear and at least one of the parties would be engaging in business in Finland.

The mere case (a) by itself would in our opinion not give grounds to an action if, for example, the companies do not operate in Finland at the time of the action.

The main requirement for bringing an action is that the defendant is domiciled in Finland. Therefore, the cases mentioned above would be possible as exceptions to this rule (being based on the fact that the potential damage to the trade secret holder has occurred in Finland), but not necessarily very common or practically realizable. Such questions would in any case be decided by the Court according to the EU regulation 2001/44/EC.

In the case of the Market Court 105/07 the question was of an applied injunction against a German company that did not manufacture or sell the products in question in Finland. As the company could nonetheless in the future sell such products to Finland and the action was related to potential competitive bidding concerning a project in Finland, the Court held that the action could be heard in Finland.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

According to EU regulation 2001/44/EC, judgments from other EU states would be recognized in Finland as well, in case the criteria of the regulation are met. As for other countries, the case would depend on possible bilateral agreements between said country and Finland, and no clear answer can be given.

## France

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

French law protects trade secrets by criminal and civil provisions. However, there is a specific provision under articles L.621-1 of the French Intellectual property Code (hereinafter the "IPC") and L.1227-1 of the Labour Code providing a protection for manufacturing secrets.

Please find below the provisions of Article L.621-1 IPC:

*"The penalties for violation of manufacturing secrets are set forth in Article L.1227-1 of the Labour Code reproduced hereafter: "Article L.1227-1. The fact of revealing or attempting to reveal a manufacturing secret by any director or salaried person of the enterprise in which he is employed shall be punishable by imprisonment of two years and a fine of 30.000 Euros."*

*"The Court may also order as an additional penalty for a period of not more than five years the prohibition of civic, civil and family rights provided for by Article 131-26 of the Criminal Code."*

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

The protection under articles L.621-1 of the IPC and L.1227-1 of the Labour Code is used in different context: intellectual property law and criminal law.

The scope of protection under these articles is limited to the protection of manufacturing secrets, defined by case law as *"any manufacturing process conferring a practical and commercial value/interest implemented by an industrial manufacturer and kept secret by him to his competitors, who did not have any knowledge of the secret before the disclosure"* (Cour de Cassation, Criminal Chamber, 30 December 1931, *Gazette du Palais 1932, 1, p.333* ; Cour de Cassation, Criminal Chamber, 12 June 1974, *Bulletin Criminel 1974, n°218.*). Therefore, following this definition, a manufacturing secret has to be secret, industrial, original and legitimately possessed.

Following articles L.621-1 of the IPC and L.1227-1 of the Labour Code, are only protected (1) the manufacturing secrets, (2) disclosed or attempted to be disclosed (not used) (3) by a director or an employee of the company possessing the secret.

The notion of trade secrets has not been defined, yet, under French law but is frequently used by the courts especially the Cour de Cassation and the Council of State. If the notion of manufacturing secret has to be construed strictly, the notion of trade secret addresses/applies to different and larger areas: industrial, commercial, documentary.

French Case law has defined trade secrets which can be protected as a *"substantial and formalized body of knowledge, not directly accessible, which confers/gives a competitive advantage to the possessor of the secret"*.

Furthermore, following certain authors, even though the TRIPS agreement can not be applied directly (due to the fact that it had not been transposed in French national legislation ) in a civil or criminal litigation, the definition provided by article 39.2 of the TRIPS Agreement has an influence and can be used in order to construe the definition of the notion given by the Courts.

Therefore, in order to be protected a trade secret has to be (1) substantial, (2) secret (the requirement of secrecy must be understood as non-immediately available to the public), and constitute a competitive advantage.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

Although French legislation provides a specific protection for the manufacturing secrets under articles L.621-1 of the IPC and L.1227-1 of the Labour Code, these provisions only apply to cases of infringement by employees. Therefore, French Courts also use other provisions under the Civil and Criminal Codes to protect trade secret.

Please find below the relevant provisions:

(1) Criminal provisions

\*Theft:

Article 311-1 of the Criminal Code "*Theft is the fraudulent appropriation of a thing belonging to another person.*"

\*Breach of trust:

Article 314-1 of the Criminal Code "*Breach of trust is committed when a person, to the prejudice of other persons, misappropriates funds, valuables or any property that were handed over to him and that he accepted subject to the condition of returning, redelivering or using them in a specified way.*

*Breach of trust is punished by three years' imprisonment and a fine of 375,000 Euros."*

\*Receiving:

Article 321-1 of the Criminal Code "*Receiving is the concealment, retention or transfer a thing, or acting as an intermediary in its transfer, knowing that that thing was obtained by a felony or misdemeanour.*

*Receiving is also the act of knowingly benefiting in any manner from the product of a felony or misdemeanour.*

*Receiving is punished by five years' imprisonment and a fine of 375,000 Euros."*

\*Disclosure of secret information by a person entrusted with such a secret:

Article 226-13 of the Criminal Code "*The disclosure of secret information by a person entrusted with such a secret, either because of his position or profession, or because of a temporary function or mission, is punished by one year's imprisonment and a fine of 15,000 Euros."*

\*Fraudulent access within an automated data processing system:

Article 323-1 of the Criminal Code "*Fraudulently accessing or remaining within all or part of an automated data processing system is punished by two year's imprisonment and a fine of 30,000 Euros.*

*Where this behaviour causes the suppression or modification of data contained in that system, or any alteration of the functioning of that system, the sentence is three years' imprisonment and a fine of 45,000 Euros.*"

*\*Supplying information to a foreign power:*

*Article 411-6 to 411-8 of the Criminal Code "Supplying or making accessible to a foreign power, to a foreign undertaking or organisation or to an undertaking or organisation under foreign control, or to their agents, information, processes, articles, documents, computerised data or files, the use, disclosure or collection of which are liable to prejudice the fundamental interests of the nation is punished by fifteen years' criminal detention and a fine of 225,000 Euros."*

*Article 411-7 "Collecting or gathering information, processes, articles, documents, computerised data or files, with a view to supplying them to a foreign power, to a foreign undertaking or organisation or to an undertaking or organisation under foreign control, or to their agents, the use, disclosure or gathering of which is liable to prejudice the fundamental interests of the nation is punished by ten years' imprisonment and a fine of 150,000 Euros."*

*Article 411-8 "The exercise on account of a foreign power, a foreign undertaking or organisation or an undertaking or organisation under foreign control, or their agents, of an activity aimed at obtaining or supplying devices, information, processes, articles, documents, computerised data or files, the use, disclosure or gathering of which is liable to prejudice the fundamental interests of the nation is punished by ten years' imprisonment and a fine of 150,000 Euros."*

*\*Corruption:*

*Article 432-11 of the Criminal Code "The direct or indirect request or acceptance without right and at any time of offers, promises, donations, gifts or advantages, when done by a person holding public authority or discharging a public service mission, or by a person holding a public electoral mandate, is punished by ten years' imprisonment and a fine of 150,000 Euros where it is committed:*

*1° to carry out or abstain from carrying out an act relating to his office, duty, or mandate, or facilitated by his office, duty or mandate;*

*2° or to abuse his real or alleged influence with a view to obtaining from any public body or administration any distinction, employment, contract or any other favourable decision."*

(2) Civil provisions

*Article 1382 of the Civil Code "Any act whatever of man, which causes damage to another, obliges the one by whose fault it occurred, to compensate it."*

*Article 1147 of the Civil Code "A debtor shall be ordered to pay damages, if there is occasion, either by reason of the non-performance of the obligation, or by reason of delay in performing, whenever he does not prove that the non-performance comes from an external cause which may not be ascribed to him, although there is no bad faith on his part."*

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

(1) Criminal law

The provision regarding theft (article 311-1 of the Criminal Code) applies when there is a fraudulent appropriation of trade secret fixed on a document belonging to another person. This offence has been used by French Courts to charge a person who disclosed trade secrets (Cour de Cassation, 7 November 1974).

The provision regarding breach of trust under article 314-1 of the Criminal Code is available when there is a misappropriation of trade secrets fixed on document(s) handed over to a person and that he accepted subject to the condition of returning, redelivering or using it or them in a specified way. This specific offence has been applied by French Courts and especially in the '*Michelin*' case to charge the employee who tried to sell his company's trade secrets to a competitor (Cour de Cassation, 7 November 1974).

Article 321-1 of the Criminal Code can be used to charge the person who receives information considered as a trade secret. French criminal courts already used this offence in a trade secret violation action (Cour de Cassation, 20 October 2010, CCE n°3, March 2011, comm.. 31).

Article 226-13 of the Criminal Code applies to professional secrets and can be used to charge the person who disclosed secret information (commercial or technical) even though he was entrusted with such a secret.

Article 323-1 of the Criminal Code applies to charge a person who access or attempts to access fraudulently within an automated data processing system.

The provisions under articles 411-6 to 411-8 of the Criminal Code are available so as to charge the acts of supplying secret information to a foreign power and therefore charge a person for espionage acts.

Finally, the offence of corruption is available so as to protect trade secrets when the offender proposes without right and at any time, offers, promises, donations, gifts or advantages so as to obtain from any public body or administration any trade secret.

## (2) Civil law

Article 1382 of the Civil Code applies when there is a violation of trade secret outside any contractual obligation whenever there is a disclosure or use of a trade secret without authorization or a wrongful/fraudulent act.

Article 1147 of the Civil Code is available when there is a case of infringement of a trade secret (disclosure or use) without any authorization while the infringer is bound to the possessor of the trade secret by a contractual obligation (non disclosure or non use provisions/agreements or by a non competition provision).

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

As mentioned in questions 1 and 2, manufacturing secrets are protected under the IPC. Under French law, trade secrets are generally considered as intellectual property as a result of their immaterial nature and economical value. However, trade secrets do not give rise to an exclusive and opposable property right (such as trademark, copyright or patents) but are merely considered as an asset which can be protected against certain violations.

The legislation that implemented directive 2004/48/EC of 29 April 2004, which is law n° 2007-1544 of 29 October 2007, did not add and/or modify any provision regarding the protection of trade secrets.

5. Which different types of trade secrets are recognized in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

Manufacturing secret, professional secret, commercial know how (e.g. suppliers' lists, customers lists ...), technical know how (industrial, technical and unpatented manufacturing processes) and computing know how (e.g. any computing process or manipulation) as well as fragrances have been recognized as types of trade secrets by French courts and by the French doctrine on the subject.

Manufacturing secret as well as professional secrets are treated differently from the other types of trade secrets due to the fact that they are protected by specific provisions (articles L.621-1 of the IPC and L.1227-1 of the Labour Code for manufacturing secrets and article 226-13 of the Criminal Code for professional secrets).

Concerning the other types of trade secrets (commercial, technical and computing know-how as well as fragrances), they are protected by civil and criminal law indifferently.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

In the light of the developments covered above, the inadequacies identified are the following:

- The detrimental absence of a definition of the notion of trade secret in the French legislation.
- The impossibility to invoke or apply the notion of trade secret under article 39.2 of the TRIPS agreement in a litigation relating to a violation of trade secrets.
- The limited scope of protection of trade secret before French Courts (inappropriate/unsuited criminal offences as well as civil actions with limited effectiveness due to the fact that they are only compensating the prejudice suffered).
- The difficulties for French Courts to:
  - \* ensure and maintain secrecy during litigation and especially the difficulty for the judges to prohibit the parties the disclosure of conveyed exhibits to third parties;
  - \* order proceedings "in camera";
- The impossibility for the French Courts to restrict access to the decisions of the Courts or write different versions of the judgment so as to avoid disclosure of secret information.
- the absence of provisions regarding the calculation of damages in case of infringement.

Possible improvements identified would be to:

- Establish a precise notion of trade secret containing the requirements of the notion defined under article 39.2 of the TRIPS agreement, at least allow the possibility to



invoke or apply in trade secret litigation the notion of trade secret under article 39.2 of the TRIPS agreement.

- Create an appropriate and suited action for the violation of trade secret less restrictive than the violation of manufacturing secret action.
- Ensure and maintain secrecy during litigation and especially ensure the possibility for the judges to prohibit the parties to disclose the conveyed exhibits to third parties.
- Allow the Courts to write different versions of the judgment.
- to set clear rules relating to the calculation of damages in order for victims of trade secret violations to obtain damages which would reflect the actual value of the trade secrets.

In our opinion, having a European harmonized and common legislation for the definition and effective protection of trade secrets would be feasible and positive.

There is currently no specific provision or practice that could be considered as positive asset under the current French legislation. However, the current proposal for a new legislation, if adopted by the French Parliament, will be, in our opinion, a positive step towards a more suitable protection of trade secrets under French Law.

This current proposal for new legislation filed by Bernard Carayon, member of the National Assembly, which was adopted on first lecture by the National Assembly, creates a new offence: the violation of "economical information" ("*information à caractère économique*"), punishable by imprisonment of three years' and a fine of 375.000 Euros.

Under to this proposal, "*economical information*" ("*information à caractère économique*") is defined as information which does not constitute in a knowledge which is generally known or readily accessible to the public, and which confers, directly or indirectly, a commercial value to the company, and has been subject to reasonable steps according to the law and commercial practices, by the person lawfully in control of the information, to keep it secret.

The proposal also provides that "*The act, by any director or salaried person of the enterprise in which he is employed, of revealing or attempting to reveal an economical information protected under article 226-14-2 shall be punishable under article 226-14-2 of the Criminal Code*" (Proposal for the article L. 1227-2 of the Labour Code).

Furthermore, any act conducted by any employee or director who does not respect the employer's measures trying to protect the secrecy and the confidentiality of the company's economical information is punishable by a disciplinary sanction as defined by article L. 1331-1 of the Labour Code.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Please find below a list of leading case law on the different types of liabilities that can arise regarding the violation of trade secrets.

a) Action based on the violation of a contractual obligation

French civil law only requires the demonstration of three elements: a wrongful act; a prejudice; and a causal link between the fault and the damage.

There is little significant jurisprudence concerning the violation by an employee or a third party of one of his contractual obligation relating to the protection of trade secret. We can, however, mention two decisions.

In the *ITP v Technip* case (Cour de Cassation, commercial chamber, 13 July 2010, *ITP v Technip*, n°09-14.985), the Cour de Cassation considered that ITP could not be held liable for the violation of his contractual obligations deriving from the non disclosure and non use agreements between the parties, due to the fact that the plaintiff, Technip, did not evidence (i) the communication of the secret information and (ii) that these information were used by the defendant in violation of his contractual obligation.

In the '*Dassault*' case (Cour de Cassation, Labour chamber, 8 December 2009, n° 08-17191), the Cour de Cassation held that any contractual obligation binding the employee regarding the confidentiality of certain information he may have access to/knowledge of, during his/her employment, should be precise, proportionate to the objective sought and justified. Contractual provisions which do not comply with these requirements are not enforced by the courts.

#### b) Unfair competition action

French courts have set different rules regarding the protection of trade secrets under the provision of article 1382 of the Civil Code. For example, case law specifies under which conditions trade secrets (or more specifically know-how) may be protected through unfair competition actions. According to the following decisions, trade secrets or know-how have to meet the three following requirements.

##### i) The requirement of the existence of a fault:

There must be a wrongful act causing the prejudice. Whatever the nature or the form of the trade secret at stake, in order to establish a wrongful act, it is necessary (i) to prove that the trade secret is not available to the public and therefore remained secret (Colmar Court of Appeal, 7 February 2012, *Hypromat France v Thevenon*, Cour de Cassation, Commercial chamber, 22 March 1971, PIBD, 1-971, III, 27) and afterwards, (ii) to evidence the wrongful act which may be either the use (intrusion) or the apprehension of the trade secret.

Following case law, intrusion can be defined as the unauthorized use of a trade secret by a person who has knowledge of it but who is not its possessor. French courts usually consider that there is an intrusion when a former employee discloses the trade secret to his new employer who is a competitor of his former employer. There can be an intrusion where a person, such as an employee discloses secret information, which he does not possess, to a competitor (Cour de Cassation, Social chamber, 12 March 1959, Ann. Propr. Ind. 1962, 3, p.252). Apprehension can be defined as the access to secret information without the authorization of the possessor of this secret (Cour de Cassation, Commercial chamber, 4 October 1994, n°92-17/462 and Cour de Cassation, Commercial chamber, 28 April 1980, JCP G 1982, II, 19791).

However, nothing forbids a former employee to use the know-how he developed during his last employment, in the course of his new employment, as long as he is not bound to his former employer by a contractual obligation of non competition (Paris Court of Appeal, 5 May 2004, n°2003/09946).

##### ii) The existence of a prejudice:

The trade secret's owner must demonstrate that he suffered a prejudice resulting from the wrongful act. It appears from case law that French Courts usually take into

consideration in particular the loss of opportunity (Versailles Court of Appeal 9 October 2003). French Courts have defined the loss of opportunity as the prejudice equal to the price received by the competitor (who benefited unfairly from the trade secret) for the services he managed to perform thanks to the trade secret.

iii) The requirement of the existence of a causal link:

According to article 1382 of the Civil code, there must be a causal link between the wrongful act and the prejudice suffered by the possessor of the trade secret.

Finally, it must be specified that French courts do not require the evidence of a fraudulent intent, nor the existence of a specific intent to prove the infringement of a trade secret (Rouen Court of Appeal, 3 October 1978, Bull. Civ. 1978, IV, n°207).

c) Criminal actions

Following, articles 111-3 and 121-3 of the Criminal Code, criminal law requires in order to give rise to criminal liability the establishment of all the elements of the alleged violation which are the material and moral elements, in the absence of which, the party committing the violation is not liable.

It appears from the case law regarding this type of liability that criminal courts traditionally focus on the evidence given regarding these elements and especially the material element of the offence.

Four decisions from criminal courts are to be mentioned regarding this issue.

In a recent decision (Cour de Cassation, 20 October 2010, n°09-88387), the French Supreme Court judges held that the fact for a former employee to retain and use information (here, customers lists) possessed by his former employer, that he knew were confidential, constitute the offence of receiving.

Furthermore, in the '*Michelin*' case (Cour de Cassation, 20 October 2010, CCE n°3, March 2011, comm.. 31), the Correctional court of Clermont Ferrand held liable under the offence of breach of trust the employee who kept, after the termination of his employment, information that he knew where confidential, and conveyed to him only for the purpose of his employment and used them for other purposes.

In another case (Correctional court of Clermont-Ferrand, 26 September 2011), the Correctional court of Clermont-Ferrand charged with the offences of theft and breach of trust, an employee who tried to sell to another company, confidential information, which the employee should not have had access to, due to her position in the company. Furthermore, the Court added that the circumstance under which the employee made little profit from the use of those confidential information can not limit her liability.

Finally, the Correctional court of Paris (Correctional court of Paris, 1 June 2007, CCE n°3, March 2008, comm. 46), charged with the offence of article 323-1 of the Criminal Code, a former consultant who monitored and checked two email accounts of third parties for his brother with the purpose to be informed of a financial transaction. The two email accounts belonged to the directors of the former company where the brother of the consultant was employed. The Court further found the brother of the consultant guilty of receiving confidential information.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

Francis Hagel, "*The Protection of trade secret: Issues and Guidelines*", Cahiers de Droit de l'Entreprise n° 1, January 2012. Article published in an Intellectual Property Law review giving a recent overview of the issues and guidelines regarding the protection of trade secrets.

*Report n°4159 on the sanctions for the violation of trade secrets*, by Bernard Carayon, for the National Assembly, 11 January 2012. Report written by French Member of Parliament Bernard Carayon prior to the filing of a bill before the French National Assembly regarding the sanctions of trade secrets violations, reporting the inadequacies of the French protection of trade secrets and proposing a new legislation. This report is available in French at <http://www.assemblee-nationale.fr/13/rapports/r4159.asp>

Jérôme Lasserre Capdeville, "*The offence of violation of a manufacturing secret*", AJ Pénal 2011, p.459. Article published in a criminal Law review regarding the offence punished under article L.621-1 IPC.

Thibault du Manoir de Juaye, "*Trade secrets*", Revue Lamy Droit de l'Immatériel, 2010, n°65. Article published in an Intellectual Property Law review giving a recent overview of the recent decisions regarding provisions used in French Law to protect trade secrets

*Proceedings of the Conference Prometheus on the legal protection of economical information – Issues and prospects*, by Bernard Carayon, André Dietz, Christian Harbulot, François Hagel, Olivier de Maison Rouge Thibault du Manoir de Juaye, Bertrand Warusfel, 18 October 2010. Proceedings of a conference organised by Bernard Carayon, a French deputy, regarding the protection of trade secrets and economical information in France. Available in French at [http://www.fondation-prometheus.org/publish/Actes\\_du\\_colloque\\_18%20octobre\\_2010.pdf](http://www.fondation-prometheus.org/publish/Actes_du_colloque_18%20octobre_2010.pdf)

*Report of the workshop presided by Claude Mathon, the protection of Trade secrets: issues and propositions*, by Claude Mathon and his team, 17 April 2011. General report on the protection of trade secrets, the inadequacies of French Law relating to this matter and proposing a new legislation. Available at : [http://www.claudemathon.fr/public/Secret\\_des\\_affaires\\_Rapport\\_final\\_17\\_avril\\_09.pdf](http://www.claudemathon.fr/public/Secret_des_affaires_Rapport_final_17_avril_09.pdf)

*French report on the protection of trade secrets through IPR and Unfair Competition Law*, by Jean-Pierre Stouls and his team, for the AIPPI, 17 March 2010. Report written by the French Group of the AIPPI regarding the protection in France of the violation of trade secrets, reporting the inadequacies of the French protection of trade secrets and proposing improvements. [https://www.aippi.org/download/committees/215/GR215france\\_en.pdf](https://www.aippi.org/download/committees/215/GR215france_en.pdf)

François Hagel, "*Secrets and Intellectual Property Law, An overview*", Revue Lamy droit de l'Immatériel, October 2009, p.73-80. Article published in an Intellectual Property Law review giving an overview of the protection of trade secrets by Intellectual Property law.

*Trade secrets in French Law*, by Pierre Martin, Dedale Editions, 2009. Based on a doctoral thesis by the same author submitted in 2008.

Joanna Schmidt Szalewski, "*Know-How*", Répertoire de droit commercial Dalloz, February 2009. Section of an encyclopaedia regarding the protection in French law of Know How.

Didier Poracchia, "*Secret and confidentiality in employee/employer relationships*", Revue Sociale Lamy, Supplément, 2008. Article published in a Labour Law review regarding the protection of trade secrets in the employer's/employee's relationships.

Thibault du Manoir de Juaye, "*Economic Intelligence and Trade Secrets: the point of view of in-house counsels*", Cahiers des droits de l'entreprise n°5, September – October 2008. Article published in a Labour Law review regarding the protection of trade secrets.

Régis Fabre and Léna Sersiron, "*Appropriation or Reservation of know how*", Jurisclasseur LexisNexis Encyclopedia Patents, 4200, 28 February 2007. Section of an Encyclopaedia regarding the appropriation of know how and its protection under French Law.

Yann Paclot, "*Secret business relations, the diverse aspects of trade secret*", Revue Droit et Patrimoine, Dossier, 2002, n°102. Article published in a Property Law review regarding the protection of trade secrets in business.

Christophe Caron, "*Secret business relations, Secret and Intellectual Property*", Revue Droit et Patrimoine, Dossier, 2002, n°102. Article published in a Property Law review regarding the protection of trade secrets by Intellectual Property Law

François-Xavier Testu, "*Secret business relations, The contractual confidentiality*", Revue Droit et Patrimoine, Dossier, 2002, n°102. Article published in a Property Law review regarding the protection of trade secrets in business by contractual obligations and agreements.

"*The legal protection of company's secrets*", n°85, Revue Droit et Patrimoine, Pratique, September 2000. Article published in a Property Law review regarding the protection of trade secrets.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorized use, unauthorized disclosure, misappropriation, or any form of trade secrets infringement?

(a) Under Criminal law

According to article 111-3 of the Criminal Code, "*No one may be punished for a felony or for a misdemeanour whose ingredients are not defined by statute, nor for a petty offence whose ingredients are not defined by a regulation.*" Additionally, article 121-3 of the same code provides that "*there is no felony or misdemeanour in the absence of an intent to commit it.*"

Following those articles and in order to give rise to criminal liability, criminal law requires the proof of all the elements of the alleged violation. They require the demonstration of the material and legal elements as well as the evidence of the intent of the party to commit the violation. In the absence of which, the party committing the violation will not be held liable. These elements will be analyzed by the relevant jurisdiction during the proceedings.

(b) Under Civil law

French civil law only requires the demonstration of three elements: a fault; a damage suffered; and a causal link between the fault and the damage.

2. What civil remedies are made available? Are the remedies cumulative?

(a) When the misappropriation/disclosure of a trade secret is outside any contractual obligation, the plaintiff may obtain compensatory damages based on tort law (articles

1382 and 1383 of the Civil Code). In the situation where the trade secret is exploited, the judge can order, in theory, the prohibition of the continuation of the infringing acts. However, such measures have never been ordered by French Courts regarding trade secrets.

(b) When there is a violation of a contractual obligation (e.g. non competition, non disclosure or non use provisions) the plaintiff may claim (i) damages specified in the agreement (if there are damages specified under the agreement) or (ii) damages evaluated according to the provisions under the Civil code, and possibly (iii) claim the termination of the contract.

(c) In case of an employment contract and in the absence of a specific clause relating to trade secrets, the disclosure of confidential information can be held to be a violation of the duty of loyalty i.e. obligation due by the employee to his employer. The civil penalties will be the allocation of damages and termination of the employment contract.

According to case law, civil penalties/damages can apply to persons who disclose a trade secret as well as to persons who benefit from this secret as well.

Furthermore, due to the fact that an unfair competition action does not require a show of fraudulent intent (Cour of Cassation, 3 October 1978) it could derive from this principle that plaintiff may claim damages even when the defendant disclosed unintentionally and/or negligently his company's trade secret(s).

Finally, these remedies are not cumulative.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

In France, under articles 138 to 141 and 145 of the French Civil Procedure Code (hereinafter "FCPC"), the president of a court may order any measure to complete evidence during a case.

It must be specified that according to article 11 of the FCPC, *"the parties are held to cooperate for the implementation of the investigation measures, even if the judge notes the consequences of abstention or refusal to do so"*.

Furthermore, under article 10 of the French Civil Code, *"everyone is bound to collaborate with the Court so that the truth may come out. A person who eludes this obligation may be compelled to comply with it"*.

The provisions, summarized below, confer to the President of Court the power to order the production of documents so as to complete evidence during a case.

(a) Articles 138 to 141 of the FCPC provide that if, during the proceeding, a party needs to rely on a document held by a third party, it may request the judge, to whom the matter is referred to, to order the delivery of a certified copy or the lodging in court of the deed or the document.

The request can be made without any formality. If the judge considers that the request is well-founded, he will order the delivery or the production of the original, copy or extract of the deed, and sometimes, if necessary, under a daily fine. Additionally, in case of difficulty, or if a legitimate impediment is raised, the judge who ordered the delivery or the production in court may retract or amend his decision.

(b) Article 145 of the FCPC provides that *"If there is a legitimate reason to preserve or to establish, before any legal process, the evidence of the facts upon which the resolution of the dispute depends, legally permissible preparatory inquiries may be ordered at the request of any interested party, by way of a petition or by way of a summary procedure."*

(c) The second paragraph of Article 11 of the FCCP provides that *"where a party holds evidence material, the judge may, upon the petition of the other party, order him to produce it, where necessary under a periodic penalty payment. He may, upon the petition by one of the parties, request or order, where necessary under the same penalty, the production of all documents held by third parties where there is no legitimate impediment to doing so"*.

It must be specified that the Paris Court of appeal (Cour of Cassation, 3 October 1978) held in a decision of 27 September 2000, confirmed/upheld by the Cour de Cassation (Cour of cassation, Commercial chamber, R 00-21.542, 25 February 2003), that a company is eligible to carry out a seizure for infringement based on software law in order to search and evidence the misappropriation of know-how and trade secrets.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

According to article 808 of the FCPC, *"In all cases of urgency, the president of the High Court may order in a summary procedure all measures that do not encounter any serious challenge or which the existence of the dispute justifies"*.

Furthermore, following article 809 of the FCPC, *"The president may always, even where confronted with a serious challenge, order in a summary procedure such protective measures or measures to restore (the parties) to (their) previous state as required, either to avoid an imminent damage or to abate a manifestly illegal nuisance. In cases where the existence of the obligation is not seriously challenged, he may award an interim payment to the creditor or order the mandatory performance of the obligation even where it is an obligation to do a particular thing."*

Therefore, following these two articles, the president of the High Court can order any measures such as preliminary, interim injunctions or cease and desist order, he may also award an interim payment, suspend the execution of an agreement. However, the president of the High Court may not pronounce a judgment on the merits.

According to article 788 of the FCPC, in case of emergency, the President of the Court may allow the claimant, to summon the defendant at a fixed date. The brief must set out the grounds of urgency as well as include the claimant's pleadings and identify the supporting documents.

If the defendant has designated a lawyer, the case may be pleaded immediately (article 792 of the FCPC), if it is not the case, article 760 of the FCPC will apply. This article provides that

*"The president will send for trial those matters that, based on the explanations of the advocates and on the examination of the pleadings exchanged and documents transmitted, appear to him to be ready to be decided on the merits of the case.*

*He will send similarly for trial those matters in which the defendant has not appeared if they are ready to be decided on the merits of the case, unless he orders fresh service of the writ of summons on the defendant.*

*At all events, the president will declare the closure of the pre-trial examination of the matter and will fix the date of the trial. The latter may be conducted on the same day."*

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

In theory, final injunctions can be time-limited. However, it results from French case law on the matter that the French Courts do not time-limit final injunctions. In addition, final injunctions do not require to be confirmed through an ordinary proceeding.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

The average duration of such a proceeding is generally similar to the average duration of a civil and/or commercial litigation, which is approximately, one to two years for decision at first instance and two to four years for a decision in appeal.

The average cost of such proceedings can be evaluated between 25.000 and 50.000 Euros for a first instance decision depending on the complexity of the case.

It must be underlined that trade secrets cases can be complex cases and may require longer and more costly proceedings.

(d) Are cases involving technical trade secrets heard by specialist judges?

Cases involving technical trade secrets are heard by criminal or commercial judges who are not specialized in trade secrets' violation cases.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

(i) Protection of trade secrets regarding the production of documents so as to complete evidence

The diverse range of the methods regarding the production of documents will be examined successively. It results from the following that, if the existence of a secret document can lead to the accommodation of the measure, so as to protect the secret, the existence of a secret, however, cannot be considered as a hurdle/bar to the realization/completion of the measure.

- Articles 143 to 145 and 275 of the FCPC

According to article 145 of the FCPC, the judge may order pre-trial injunctions when it is deemed necessary to preserve or establish evidence. These injunctions are called *in futurum*.

Such injunctions can be requested to the judge by the parties as a mean of access to the other party's trade secret. In such proceedings, trade secrets can be invoked by the parties, however it is not a bar/hurdle to the realization/completion of the measure. The



judge may still consider as legitimate to order the requested measures and consider them as necessary to the protection of the rights of the party claiming the production of documents, even though the measure can cause/lead to a violation of the secret.

In the situation of an expert investigation, the position differs according to the position of the parties:

- in many cases, the parties accept that the expert carries out certain investigations on confidential documents provided that he renders account of the results of his investigations subsequently.
  
- but in other cases, the parties may wish to verify by themselves the information given to the expert. In this situation, a system has been created which was validated by French Courts allowing only the parties' counsellors to attend to the operations/investigations conducted by the expert and access to the confidential information.

The experts can accommodate their reports so as to protect the secrets, either by not mentioning the secret information if it is not necessary to the judge, either by not disclosing the confidential information in itself but by indicating their opinion regarding the document, either by putting the confidential information in a sealed envelope, given to the Court which will be opened only on the conditions set in by the expert.

Finally, it must be reminded the provision under article 247 of the FCPC which indicates that *"if the opinion of the expert, whose disclosure infringes one's privacy or any other legitimate interest, may not be used outside the proceeding, except with the judge's permission or with the consent of the concerned party."*

- Seizure for infringement of intellectual property rights (under the IPC)

In the case of a seizure, the seized party may claim for certain precautions so as to protect confidential information. In practise, the seized party can ask the bailiff carrying out the seizure to put certain seized documents or goods under closed seals and to keep them in his possession without delivering them to the owner of the intellectual property rights.

The seized party has the possibility, as well, to appeal before the judge who ordered the seizure either during or after the operations of seizure, in order to protect its manufacturing secrets or commercial secrets. Indeed, articles R. 521-5 (models), R. 615- 4 (patents) R. 623-53-1 and R. 716-5 (trademarks) of the IPC provide that after an operation of seizure for infringement, the President of the High Court may order any measure so as to preserve the confidentiality of certain elements. The seized party will then have to present his action swiftly before the judge, due to the fact that, in practise, the bailiff conveys his report of the seizure and the appendices very quickly to the plaintiff.

When such information has been put under closed seals, the Courts usually appoint an expert in order to select the documents which should be kept as secret and those which can be subject to communication.

When such an expertise is ordered, the access to the seized goods/exhibits differs according to the moment when the access is requested:

- \* during the expertise, the confidentiality of the documents is maintained/preserved and only the claimant's counsellors may access the documents ;
- \* once the expertise is completed, any documents useful to establish the evidence of the infringement must be handed out to the claimant, even if they are confidential.

- Claim for a forced production of the documents

Trade secret can constitute a legitimate reason to refuse/oppose the forced production of documents, according to article 11 paragraph 2 of the FCPC. However, if the judge considers that the reason invoked is not legitimate, he can draw consequences from such an abstention or refusal. In particular, the refusal to produce documents can be analysed by the Court as a presumption that the allegations of the claimant are true.

For the sake of completeness, we specify that France adopted in 1968 a specific statute (Statute n°68-678 of 26 July 1968) called the 'blocking statute'. This statute prohibits, in particular, the oral or/and written communication to foreign authorities of any economical, commercial industrial, technical or financial documents and information in order to be produced as exhibits before foreign courts (article 1 bis of the Statute). The violation of this provision is punishable under article 3 of the statute by six months of prison and a fine of 18.000 Euros.

French courts do not apply frequently the provisions under this statute which is considered by certain French authors as ill-suited. However, in 2007, the Cour de Cassation (Cour de Cassation, 12 December 2007, n°07-83228), held liable under article 1 bis of the Statute, the person who asked and looked for economical, commercial and financial information in order to constitute and produce evidence before a foreign court.

#### - Secrecy and Retention by the Customs

In the case of a retention under the customs control, the customs are relieved of their obligation of professional secrecy (Article 59 bis of the Customs Code), in order to convey certain information to the claimant (usually the holder of intellectual property rights). This information about the owner and recipient of the goods or relating to the number of goods can not contain confidential information. However, the plaintiff may request that samples be taken and be delivered to him for analysis. It appears that the owner of the goods can not object to the disclosure of such information or to the submission of samples.

#### (ii) The protection of trade secrets during the proceedings

During the course of the proceedings, the parties may have to disclose documents containing information they consider confidential that may constitute a trade secret. For example, in a litigation regarding the violation of manufacturing secrets, the possessor of the secret will have to demonstrate the nature of the secret he possesses and that is allegedly infringed. It is legitimate to be able to protect these secrets in such proceedings.

It appears that provisions under the FCPC may be insufficient to maintain secrets of the parties to a civil action.

#### - The access to exhibits and the acts of the proceedings

Access to documents in a civil litigation in France is limited to the parties. However there is no provision prohibiting a party or a third party from disclosing the exhibits or the information contained in the documents (covered or not by a trade secret) obtained legitimately or punishing such disclosure. In particular, no provision compels the parties to an obligation to keep confidential the exhibits or documents exchanged in the legal proceedings, even if such documents contain confidential information. The only exception seems to involve investigation measures conducted by an expert, for which it is specifically provided that "*the opinion of the expert, whose disclosure infringes one's privacy or any other legitimate interest, may not be used outside the proceeding, except with the judge's permission or with the consent of the concerned part*" (article 247 of the FCPC).

Aside from this exception, the parties can thus in theory use the exhibits or documents disclosed or conveyed by the other party or even disclose them to third parties, except if such use or disclosure constitutes a wrongful act pursuant to articles 1382 and following of the Civil Code or if there are contractual obligations binding the parties.

Nevertheless, the parties may wish to limit the use and access to documents relating to the proceedings and documents exchanged, when such documents contain confidential information.

In practice, the parties generally agree to regulate the use and access of the exchanged documents. But it may also happen that, in the absence of an agreement between the parties, the courts agree to restrict access to the exchanged documents, so as to prevent their disclosure to third parties. Such decisions, however, remain exceptional in practice. Disclosure of such documents in violation of this obligation can, then, be punished.

- The publicity of the proceedings

Article 433 of the FCPC lays down the principle according to which *"the hearings are public except where the law requires them to be held in the judge's council chamber."* Regarding industrial property, certain provisions make use of this option by providing that the hearings will be held in the judge council chamber, mainly when it is clear that confidential information will be discussed.

Moreover, article 435 of the FCPC confers the possibility for the judge to decide that the hearings will be held in the judge's council chamber if all parties request such. However in the absence of a request by all parties, the judge does not have the ability to decide that the hearings will be held in the judge's council chamber, even if he discovers that the trade secrets of a party are likely to be disclosed.

- The publicity of the decisions

Although, the hearings are not public, the ruling will be accessible to the public: if the judge considers it useful to mention confidential information in his ruling, such information will become public.

There is no legal or regulatory provision allowing the court to restrict access to its judgment, nor to write two versions of his decision.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

There is no official source regarding the number of trade secrets actions heard by civil courts. However, from our researches, we estimate the number of those actions to approximately fifty actions per year in 2010 and 2011.

Litigation cases before French courts mostly address issues regarding manufacturing processes, industrial processes and commercial/financial information.

Our analysis regarding recent civil case law reveals that there is no clear trend regarding the output of trade secret actions in the French jurisdiction.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

No, there is no other issues of which we are aware which make enforcement of trade secret difficult.

5. What defences are available to the defendant in a trade secrets action?

The person who obtained the trade secret in good faith has a defence, in the situation where he is not bound by contractual obligations to the claimant, as well as the person who anonymously developed the same information.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

The requisite that seems to be most considered by the French courts appears to be the secret nature of the information in determining whether to grant or not protection to trade secrets (Colmar Court of Appeal, 7 February 2012, *Hypromat France v Thevenon*, Cour de Cassation, Commercial chamber, 22 March 1971, PIBD, 1-971, III, 27).

Usually, the trade secret owner has to give evidence that he implemented measures so as to protect the confidentiality of the information and that this information was not available to the public or in the public domain.

7. As to award of damages:

(a) What are the available options?

Usually, civil courts award either a lump sum or a sum corresponding to the prejudice due to the harm caused to the company and/or the lost profits.

(b) What are the criteria to determine and calculate damages?

Calculation of damages is based on the principle that civil liability must compensate only the real and certain prejudice, "*all the prejudice but nothing more than the prejudice*".

French legislation does not provide a criteria so as to evaluate/calculate the damages as it does in cases of infringement of intellectual property rights.

In most cases, the Courts will award a lump sum to the claimant but in certain cases, the judges will award a sum based on the evaluation of the lost profits and/or the harm caused to the image of the company which may be much higher.

(c) Are punitive damages available for breach of trade secrets?

It is possible to provide for a contractual penalty provision in a trade secret agreement. However, French Courts never award any punitive damages.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

The quantity of awarded damages in civil proceedings varies according to the circumstances of the case.

The lowest amount awarded in recent decisions amounted to 5.000 Euros (in this case, the Court of Appeal held that the employee infringed his contractual duty of confidentiality stipulated under the settlement agreement between the employee and his former employer, Toulouse Court of Appeal, 7 September 2011) and the highest

amounted to 76.224 Euros (the Paris Court of Appeal held that a company infringed its duty of confidentiality provided under a cooperation agreement between two companies by disclosing secret information in another civil proceeding).

It appears from case law that the average quantity of awarded damages by French civil courts will vary between 5.000 and 10.000 Euros (Versailles Court of Appeal, 11 October 2011; Rennes Court of Appeal, 19 October 2010, in the first case, the Versailles Court of Appeal held that the fact for an employee who retained documents belonging to his company after the termination of his employment contract, constitutes a wrongful act under article 1382 of the Civil code and awarded the claimant 10.000 Euros; in the second case, the Rennes Court of Appeal, recognised the existence of a violation of the contractual duty of confidentiality due to the unauthorized disclosure of the company's know-how to a third party and awarded the plaintiff 10.000 Euros).

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Yes, under French legislation, the violation of trade secret can be prosecuted either under criminal law, contractual law (for the breach of contractual obligations), and finally under tort law (articles 1382 and 1383 of the Civil code).

Regarding the differences in available remedies, contrary to civil law, criminal courts may punish the offender by prison sentences.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

No, such remedies are not enforceable against a person who obtained a trade secret in good faith.

(b) A person who autonomously developed the same information?

No, such remedies are not enforceable against a person who autonomously developed the same information.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(p) While the employee is still employed?

The employer can prevent an employee from misusing or disclosing its trade secrets through the insert of contractual obligations in the employment contract of his employees; such provisions may be non use, non disclosure or non competition provisions under the employee's contract subject to the employee's approval. Therefore, to prevent the employee still employed to misuse or disclose its trade secrets, the employer may be able to bring an action before the civil courts for the violation of the employee's contractual obligations.

In the absence of a specific clause relating to trade secrets in the employment agreement or in the absence of a specific agreement relating to trade secrets, the employee is bound by a duty of loyalty which is the obligation due by the employee to his employer. Consequently, the employer will be able to bring an action based on

articles 1382 and 1383 of the Civil Code concerning tort law and especially an unfair competition action.

(q) Once the employee has left his employment?

The employer can prevent his previous employee to misuse or disclose its trade secret though the implementation of a non competition provision or through articles 1382 and 1383 of the Civil Code.

(r) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Please find below examples of contractual clauses that can be included in employment contract.

#### 1° Non Competition provisions

In view of the position of M. [employee] (or : the technical specific features implemented by the Company, of the very competitive market of which the Company is part of) it is agreed that at the end of the said contract, or in case of an anticipated breach/termination of the contract for any reason, M. [employee] will be prohibited from engaging in any activity related directly or indirectly to the activity of [Employer] in the business sector of the company.

This prohibition is limited to a duration of [insert number] year(s) from the day of the effective termination of the employment agreement and to the following geographical area: [insert geographical area]

In return of this non competition obligation, M [employee] will receive ...

Choose between:

1. - The compensation in the conditions provided under the collective agreement ;
2. - At the date of the effective termination of the employment contract, a gross compensatory lump sum corresponding to [insert number] times the average gross salary of the last three months.
3. - From the date of the effective termination of the employment contract and for the duration of the provision, a monthly gross compensatory sum at an amount equal to [insert number] % of the average gross salary of the last three months.

The company reserves the right to discharge M. [employee] from his non competition obligation without the right for him to claim the payment of any compensatory sum, a notification will be done by mail with notice of receipt, in [insert number] days after the end of the contract or the notification of the anticipated termination whoever will be the author.

In case of the violation of this obligation, M. [employee] will expose himself to the payment, for every infringement detected, of a compensatory lump sum equal to the remuneration of his [insert number] last months of activity without prejudice to the right of the company to put an end to the said violation by any means and to institute proceedings for the award of damages for all the prejudice suffered by the company.

#### 2° Exclusivity provision

Due to the nature of his activity, which requires [insert specific requirements justifying the existence of an exclusivity provision in the employment contract], M. [employee] agrees that he shall not engage in any professional occupation, whether for his own

account or for another's company account, without explicit prior authorization of the direction of the company.  
The violation of the present article may impact the existence of this contractual relationship.

### 3° Loyalty provision

In accordance with their duty of loyalty, M. [*employee*] agrees that he shall not engage in any other professional activity, whether for his own account or for another's company account.

Furthermore, in the case where M. [*employee*] would be called to carry out a gainful professional activity, M. [*employee*] agrees to respect the legal provisions relating to subsidiary employment, especially the daily and weekly maxima for working durations, and to notify the company by providing the necessary indications without delay.

### 4° Confidentiality and discretion provision

M. [*employee*] is bound by a duty of discretion regarding the information which he may have access to within the scope of his performance. He agrees that he shall not disclose to anyone such information.

Any breach or any failure to comply with this duty of discretion will be considered as a gross negligence and will lead to the anticipated termination of the present contract, irrespective of the potential/possible action for compensation of the prejudice that the company may claim.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

It is more favourable to revert to civil remedies in the French jurisdiction due to the fact that civil courts usually award higher damages than criminal courts. Furthermore, civil proceedings are usually faster than before criminal courts and allow the parties to keep the control/power of the procedure unlike in criminal litigation.

On the other side, civil actions are useful but their effectiveness remains limited to the compensation of damages afterwards, once the prejudice is certain. Therefore civil actions do not have a deterrent effect and can not be used to prevent the creation of a prejudice. Moreover, it appears that, due to the absence of a system of calculation of damages, the prejudice is very difficult to evaluate which usually consists in lost profits or the loss of a competitive advantage.

Finally, even though the parties lose control on the procedure, criminal litigation usually have more efficient power of investigation conducted by the Public prosecutor which makes it easier to evidence the disclosure or the misappropriation of the trade secrets.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

As there is no specific provision in French Law protecting from the violation of trade secrets, French companies mainly use contractual law through non use, non disclosure, non competition, confidentiality provisions and/or agreements on trade secrets between an employer and an employee and confidentiality, non disclosure, non use, non competition agreements so as to protect its trade secrets from the disclosure or use by third parties. Those solutions are generally enforceable in the French jurisdiction if the contractual obligations/provisions are precise and not too general.

13. With regards to non disclosure and non use agreements:

(t) Are they effective and enforceable in your jurisdiction?

Absolutely, non disclosure and non use agreements are effective and enforceable in the French jurisdiction by contract law.

(u) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

According to case law, it is prohibited to cumulate an action based on a violation of a contract and an action based on unfair competition when those two actions are grounded on the same facts. Therefore, when the conditions for the application of contractual liability are met, contractual liability is the only ground of action which can be claimed and precludes the right for the plaintiff to choose or cumulate between contractual and tort claims.

Thus, when there is a violation of a contractual obligation, it is impossible to raise a tort claim and prevailing enforcement will only be provided by contract law.

(v) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

No, such doctrine does not exist under French law. Indeed, according to this doctrine, a former employer is allowed to prevent an employee from taking a job and prevent the new employer from hiring the employee simply because the employee had knowledge of his former employer's trade secrets that would "inevitably" be disclosed. The former employer does not have to wait until there is an actual or even threatening use of those trade secrets before the former employer.

This doctrine does not exist under French law and is in clear contradiction with several principles of French law. Indeed, liability can only be raised when there is a prejudice suffered which is not the case in this situation where the disclosure is only uncertain and hypothetical. Such a doctrine would also be considered as contrary to the constitutional principle of the freedom of work. However, when trade secrets have indeed been disclosed, the former employer can bring a civil action before the Courts due to the violation of a contractual obligation in the employee's employment contract.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

Please find below the principles under which the French courts may have jurisdiction to adjudicate trade secret litigation.

#### 14.1 International litigation

##### 14.1.1 Criminal action



#### 14.1.1.1 Ordinary jurisdiction

Territorial jurisdiction: According to article 3 of the French Code of Criminal Procedure: French criminal courts have exclusive jurisdiction on offenses committed in France even though the victim and/or the author or co-author or accomplice do(es) not have the French citizenship and/or do(es) not live in France.

French courts have jurisdiction even if criminal proceedings have been initiated before foreign courts. This jurisdiction is also exclusive in the sense that it is held when a foreign judgment was held, based on the same facts, and even if the offender has already served his sentence in the foreign country following his conviction in this country (the rule '*non bis in idem*' does not apply here).

#### 14.1.1.2 Subsidiary jurisdiction

(i) Active personal jurisdiction: Article 689 of the French Criminal Procedure Code regarding misdemeanour and article 113-6 paragraph 2 of the Criminal Code shall apply. French criminal courts have jurisdiction under the following several conditions. First, the act must be incriminated and prosecuted as an offense punishable by French law. Moreover, the offense must have been committed by a natural or a legal person who had French citizenship at the time of the commission of the offense or who is French at the initiation of the criminal prosecution in France. It should be noted that the public prosecution in France against the French author of an offense committed abroad, but also against the accomplice, is inadmissible if it was definitively judged abroad on the same facts and if in case of punishment if it undergoes prescribed sentence. The fact must also be punished by foreign legislation (double jeopardy requirement according to which the facts have to be prosecuted and punished by the foreign criminal law). The public action is admissible when it is preceded by a complaint made by the victim or his successor, or by an official accusation made by the authority of the country where the offence was committed (article 113-8 of the Criminal Code).

(ii) Passive personal jurisdiction: article 689 of the French Criminal Procedure Code and article 113-7 of the Penal Code shall apply. French criminal courts have jurisdiction under the following several conditions:

- the offence committed abroad should be a felony or a misdemeanour punishable by imprisonment under French law (there is no requirement that the act should be also punishable under the law of the foreign country where it has occurred).

- The victim of the crime or offense has or had the French citizenship at the moment of the offense.

- The victim who has the French nationality must be any person other than the French state itself or a French diplomatic or consular officer.

Two conditions should be added regarding the admissibility of the public action: the offender must not have been definitively judged in the foreign country on the same facts. Furthermore, the public action will not be admissible if the offender has been punished and undergoes his prescribed sentence. The public action is admissible when it is preceded by a complaint made by the victim or his successor, or by an official accusation made by the authority of the country where the offence was committed.

(iii) "Compétence réelle" Articles 113-10 of the Criminal Code and 689 of the French Criminal Procedure Code shall apply. According to these article, "Perpetrators of or accomplices to offences committed outside the territory of the Republic may be prosecuted and tried by French courts either when French law is applicable under the provisions of Book I of the Criminal Code or any other statute, or when an international Convention gives jurisdiction to French courts to deal with the offence"

and “ French criminal law applies to felonies and misdemeanours defined as violations of the fundamental interests of the nation and punishable under title I of Book IV, to forgery and counterfeiting of State seals, of coins serving as legal tender, banknotes or public papers punishable under Articles 442-1, 442-2, 442-15, 443-1 and 444-1, and to any felony or misdemeanour against French diplomatic or consular agents or premises committed outside the territory of the French Republic.”

Figure among the interests protected the fundamental interests of the nation (e.g. treason, espionage which are offences which can be used to charge a person for the violation of trade secret). It should be recalled that the foreign citizenship of the perpetrators does not affect the jurisdiction of French courts.

(iv) Universal Jurisdiction: This jurisdiction does not apply here.

#### 14.1.2 Civil law

##### 14.1.2.1 International ordinary jurisdiction

(i) International ordinary jurisdiction: the decision in the ‘*Patino case*’, (Cour de Cassation, Civil chamber, 21 June 1948) created “*the principle which extends to the international order) internal French rules of jurisdiction*” It suffices to establish such jurisdiction that the connecting factor used by a French provision regarding territorial jurisdiction or one of the connecting factors identified by such a provision, is carried out or located in France.

(ii) Regarding contractual law : according to article 46 paragraphs 1 & 2 of the FCPC, “*the plaintiff may bring his case, at his choosing, besides the court of the place where the defendant lives, before:*

- *in contractual matters, the court of the place of the actual delivery of the chattel or the place of performance of the agreed service;*”

(iii) Regarding employment contracts: article R.1412-1 of the Labour Code shall apply. French courts have jurisdiction:

- where the establishment in which the activity performed is located in France or,
- where the employee is domiciled if the employee is working outside the establishment or at his domicile if he is domiciled in France or,
- The employee may also bring an action before the labor courts of the place where the agreement was undertaken or the place where the employer is established.

The submission of an employment contract to French law or foreign law does not affect the jurisdiction of French courts.

(iv) Regarding tort law: according to article 46 paragraphs 1 & 3 of the FCPC, “*the plaintiff may bring his case, at his choosing, besides the court of the place where the defendant lives, before:*

- *in tort matters, the court of the place of the event causing liability or the one in whose district the damage was suffered*”.

##### 14.1.2.2 Subsidiary jurisdiction

Articles 14 and 15 of the Civil Code confer subsidiary jurisdiction to French Courts.

(i) Article 14 requires that the claimant be French at the time of the initiation of the action (or at the date of the brief of summons) and not at the day of the creation of the right at issue, whether he is a natural or a legal person (the citizenship of the legal persons is determined by reference to the criterion of the head office in general).

(ii) Article 15 requires that the defendant be French at the time of the initiation of the action (or at the date of the brief of summons) and not at the day of the creation of the right at issue, whether he is a natural or a legal person (the citizenship of the legal persons is determined by reference to the criterion of the head office in general).

## 14.2 EU litigation

As the Lugano Convention, signed on 30 October 2007 by the European Community, along with Denmark, Iceland, Norway and Switzerland provides the same rules as the provisions of the Council Regulation (EC) No 44/2001 of 22 December 2000 (hereinafter "ECR 44/2001"), this study will focus mainly on the provisions of the Council Regulation.

### 14.2.1 Criminal law

Nowadays, there are no enforceable European Union provisions determining the competent jurisdiction(s) in cases of criminal cross border litigation.

However, it is important to mention article 5.4 ECR 44/2001 which provides that "*as regards a civil claim for damages or restitution which is based on an act giving rise to criminal proceedings, in the court seized of those proceedings, to the extent that that court has jurisdiction under its own law to entertain civil proceedings*".

### 14.2.2 Civil law

The plaintiff has an option to sue either in the Courts of the Member state of the nationality or domicile of the defendant (article 2 ECR 44/2001) either in the jurisdiction competent according to a specific provision under ECR 44/2001 (mainly under article 5 ECR 44/2001). This option is not available concerning a dispute regarding an employment contract.

According to article 59 paragraph 1 ECR 44/2001, "*in order to determine whether a party is domiciled in the Member State whose courts are seized of a matter, the court shall apply its internal law.*" The appreciation of the location of the domicile has to be appreciated at the date of the institution of the legal proceedings.

The domicile of a legal person has been defined as the place where it has its:

- "(a) *statutory seat, or*
- "(b) *central administration, or*
- "(c) *principal place of business.*"

#### (i) Contractual litigation

According to article 5.1 ECR 44/2001, and outside the matters of sale of goods or provision of services, the Court has to first, qualify the main obligation of the agreement, then find out what is the applicable law to this obligation and finally, determine the place of performance of the obligation to declare itself competent or not.

"*The place of performance of the obligation in question' within the meaning of Article 5 (1) of the Convention of 27 September 1968 is to be determined in accordance with the law which governs the obligation in question according to the rules of conflict of laws of the court before which the matter is brought*" (ECJ, C-12/76, 6 October 1976, *Industrie tessili italiana v Dunlop AG*).

Please find below the provisions of Article 5.1 ECR 44/2001

"*A person domiciled in a Member State may, in another Member State, be sued:*

1. (a) *in matters relating to a contract, in the courts for the place of performance of the obligation in question*"

However the Council regulation defines for two types of agreement the place of performance of the obligation.

Regarding the sale of goods, *"the place in a Member State where, under the contract, the goods were delivered or should have been delivered,*

Regarding the provision of services, *"the place in a Member State where, under the contract, the services were provided or should have been provide.,"*

(ii) Litigation between an Employer and an Employee

Regarding litigation between an Employer and an Employee, the principles are set forth by article 19 and 20 ECR 44/2001.

Please find below the provisions.

According to article 19 ECR 44/2001, *"An employer domiciled in a Member State may be sued:*

*1. in the courts of the Member State where he is domiciled; or*

*2. in another Member State:*

*(a) in the courts for the place where the employee habitually carries out his work or in the courts for the last place where he did so, or*

*(b) if the employee does not or did not habitually carry out his work in any one country, in the courts for the place where the business which engaged the employee is or was situated."*

Furthermore, according to article 20 ECR 44/2001, *"1. An employer may bring proceedings only in the courts of the Member State in which the employee is domiciled.*

*2. The provisions of this Section shall not affect the right to bring a counter-claim in the court in which, in accordance with this Section, the original claim is pending."*

(iii) Tort litigation

According to article 5.3 ECR 44/2001, *"A person domiciled in a Member State may, in another Member State, be sued in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur"*.

The ECJ specified in the *'Mines de Potasse d'Alsace S.A.'* case (ECJ, 30 November 1976, C-21/76, *Handelskwekerij G. J. Bier BV v Mines de potasse d'Alsace SA*) the expression *"place where the harmful event occurred"*, in Article 5 (3) of the Convention of 27 September 1968 must be understood as being intended to cover both the place where the damage occurred and the place of the event giving rise to it. The result is that the plaintiff has an option to sue the defendant, either in the courts of the place where the damage occurred or in the courts of the place of the event which gives rise to and is at the origin of that damage.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

15.1. Under Criminal law

French law resulting from case law (Cour de Cassation, Criminal Chamber 21 March 1862) does not allow the enforcement of a sentence rendered by a foreign criminal court. In contrast supranational law (international conventions and UN resolutions) admits/accepts, more and more, that a repressive decision may be enforceable outside the country where the decision has been taken. Everything depends on the question whether there is an international convention between the foreign state which rendered the judgment and France on this matter.

## 15.2 Under Civil law

### 15.2.1 International litigation

The principles have been set forth by the '*Munzen*' case (Cour de Cassation, Civil chamber, 7 January 1964), which were recently modified following the '*Cornelissen*' case in 2007 (Cour de Cassation, Civil chamber, 20 February 2007), according to which, French courts have to ensure that three conditions are met, which are:

- (i) the indirect jurisdiction of the foreign court,
- (ii) the compliance to the international public policy and
- (iii) the absence of fraud to the law.

The two additional requirements set forth in the '*Munzen*' decision which are the due process of the proceedings and the verification of the international due process of the proceedings of the decision still apply. A foreign decision is contrary to the international public policy, when it is established that the interests of a party have been objectively compromised by a violation of the procedure's core principles during the introduction of the action and the elaboration of the decision, decision which must be given and motivated by an independent and impartial tribunal established by law during a fair trial respecting the provisions under article 6 paragraph 1 of the Convention for the Protection of Human Rights and Fundamental Freedoms.

The compliance to the public policy aims to verify that the content of the foreign decision not inconsistent given the results it generates to the present case, with the core values under French law. Thus, it is the decision and not the law which must comply with the French international public policy regarding its substance and form.

Where a judgment is held to comply with international regularity, it has three consequences: the enforceability of the decision (the foreign judgment is enforceable and the terms of such enforcement are subject exclusively to French law), the substantial efficiency and the principle of *res judicata*.

### 15.2.2 EU litigation

Court decisions can be enforced on the condition that they are enforceable in the state of origin. These decisions do not need to be definitive, they should only be susceptible of enforcement (which excludes decisions subject to an appeal with suspensive effect). Interim injunctions can be declared enforceable. The enforceability of the decision is assessed from a purely formal point of view at the moment of exequatur.

The procedure of exequatur is a procedure where the role of the judge is extremely limited and where the judge shall consider three issues: the claimant's entitlement to act, the jurisdiction of the court and the formal presentation of the motion.

Regarding the entitlement to act of the claimant, any interested party can act.

Regarding the competent court, a list of competent courts is determined under annex II of ECR 44/2001. In France, the competent court is the president of the High Court. Regarding the formal presentation of the motion, article 53 ECR 44/2001 shall apply. This article provides that "*a party seeking recognition or applying for a declaration of*

*enforceability shall produce a copy of the judgment which satisfies the conditions necessary to establish its authenticity."*

Afterwards, according to article 41 ECR, *"the judgment shall be declared enforceable immediately on completion of the formalities in Article 53 without any review under Articles 34 and 35."*

## Germany

### A. APPLICABLE REGULATORY AND FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

German Law provides numerous provisions on the protection of trade secrets which can be found in various codes such as e.g. the Act Against Unfair Competition or the Criminal Code. A list of all specific provisions is provided below (see A. 2. a.) both in English and German.

In practice the most relevant statutory provision is Sec. 17 Act Against Unfair Competition which belongs to the area of criminal law but also constitutes the basis for civil law claims. Since all criminal offences are regarded as "protective laws" within the meaning of Sec. 823 (2) Civil Law Code the owner of the secret may also file civil law claims. In case that the infringement of a trade secret is regarded unfair commercial practice in the certain case, damages and an injunctive relief also results from Sec. 8, 9 Act Against Unfair Competition.

Other important provisions are Sec. 3 (in conjunction with Sec. 4 No. 11) Act Against Unfair Competition which is normally also fulfilled if there is an offense against the penal provision of Sec. 17 Act Against Unfair Competition. In addition, in many typical cases also Sec. 4 No. 9 and No. 10 Act Against Unfair Competition will be relevant.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc.) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

#### a.) Legislative texts

Subsequent you find the categorized list of German statutory provisions concerning the protection of trade secrets. The provisions are provided in English and German.

#### Act Against Unfair Competition ("UWG")

Field of Law: Civil Law (Sec. 4); Criminal Law (Sec. 17-19) / Context: Competition Law

Sec. 4 No. 9 Lit. c UWG	
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<p>Examples of unfair commercial practices</p> <p>Unfairness shall have occurred in particular where a person [...]</p> <p>9. offers goods or services that are replicas of goods or services of a competitor if he [...]</p> <p>c) dishonestly obtained the knowledge or documents needed for the replicas;</p>	<p>§ 4 Nr. 9 c) UWG</p> <p>Beispiele unlauterer geschäftlicher Handlungen</p> <p>Unlauter handelt insbesondere, wer [...]</p> <p>9. Waren oder Dienstleistungen anbietet, die eine Nachahmung der Waren oder Dienstleistungen eines Mitbewerbers sind, wenn er [...]</p> <p>c) die für die Nachahmung erforderlichen Kenntnisse oder Unterlagen unredlich erlangt hat;</p>
<p>Sec. 17 UWG</p> <p>Disclosure of trade and industrial secrets</p> <p>(1) Whoever as the employee of a business communicates, without authorisation, a trade or industrial secret with which he was entrusted, or to which he had access, during the course of the employment relationship to another person for the purposes of competition, for personal gain, for the benefit of a third party, or with the intent of causing damage to the owner of the business shall be liable to imprisonment not exceeding three years or to a fine.</p> <p>(2) Whoever for the purposes of competition, for personal gain, for the benefit of a third party, or with the intent of causing damage to the owner of the business, acquires or secures, without authorisation,</p>	<p>§ 17 UWG</p> <p>Verrat von Geschäfts- und Betriebsgeheimnissen</p> <p>(1) Wer als eine bei einem Unternehmen beschäftigte Person ein Geschäfts- oder Betriebsgeheimnis, das ihr im Rahmen des Dienstverhältnisses anvertraut worden oder zugänglich geworden ist, während der Geltungsdauer des Dienstverhältnisses unbefugt an jemand zu Zwecken des Wettbewerbs, aus Eigennutz, zugunsten eines Dritten oder in der Absicht, dem Inhaber des Unternehmens Schaden zuzufügen, mitteilt, wird mit Freiheitsstrafe bis zu drei Jahren oder mit Geldstrafe bestraft.</p> <p>(2) Ebenso wird bestraft, wer zu Zwecken des Wettbewerbs, aus Eigennutz, zugunsten eines Dritten oder in der</p>



<p>1. a trade or industrial secret</p> <ol style="list-style-type: none"> <li>a) by using technical means;</li> <li>b) by creating an embodied communication of the secret; or</li> <li>c) by removing an item in which the secret is embodied; or</li> </ol> <p>2. without authorisation, uses or communicates to anyone a trade secret which he acquired through one of the communications referred to in subsection (1), or through an act of his own or of a third party pursuant to number 1, or which he has otherwise acquired or secured without authorisation shall incur the same liability.</p> <p>(3) An attempt shall incur criminal liability.</p> <p>(4) In particularly serious cases the sentence shall consist in imprisonment not exceeding five years or a fine. A particularly serious case shall usually exist in circumstances where the perpetrator</p> <ol style="list-style-type: none"> <li>1. acts on a commercial basis;</li> <li>2. knows at the time of the communication that the secret is to be used abroad; or</li> <li>3. himself effects a use pursuant to subsection (2), number 2, abroad.</li> </ol> <p>(5) The offence shall be prosecuted upon application only, unless the criminal prosecution authority considers that it is necessary to take ex officio action on account of the particular public interest in the criminal prosecution.</p> <p>(6) Section 5, number 7, of the Criminal</p>	<p>Absicht, dem Inhaber des Unternehmens Schaden zuzufügen,</p> <ol style="list-style-type: none"> <li>1. sich ein Geschäfts- oder Betriebsgeheimnis durch <ol style="list-style-type: none"> <li>a) Anwendung technischer Mittel,</li> <li>b) Herstellung einer verkörperten Wiedergabe des Geheimnisses oder</li> <li>c) Wegnahme einer Sache, in der das Geheimnis verkörpert ist, unbefugt verschafft oder sichert oder</li> </ol> </li> <li>2. ein Geschäfts- oder Betriebsgeheimnis, das er durch eine der in Absatz 1 bezeichneten Mitteilungen oder durch eine eigene oder fremde Handlung nach Nummer 1 erlangt oder sich sonst unbefugt verschafft oder gesichert hat, unbefugt verwertet oder jemandem mitteilt.</li> </ol> <p>(3) Der Versuch ist strafbar.</p> <p>(4) In besonders schweren Fällen ist die Strafe Freiheitsstrafe bis zu fünf Jahren oder Geldstrafe. Ein besonders schwerer Fall liegt in der Regel vor, wenn der Täter</p> <ol style="list-style-type: none"> <li>1. gewerbsmäßig handelt,</li> <li>2. bei der Mitteilung weiß, dass das Geheimnis im Ausland verwertet werden soll, oder</li> <li>3. eine Verwertung nach Absatz 2 Nummer 2 im Ausland selbst vornimmt.</li> </ol> <p>(5) Die Tat wird nur auf Antrag verfolgt, es sei denn, dass die Strafverfolgungsbehörde wegen des besonderen öffentlichen Interesses an der Strafverfolgung ein Einschreiten</p>
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<p>Code shall apply mutatis mutandis.</p>	<p>von Amts wegen für geboten hält.  (6) § 5 Nummer 7 des Strafgesetzbuches gilt entsprechend.</p>
<p>Sec. 18 UWG</p> <p>Use of models</p> <p>(1) Whoever, acting without authorisation, uses or communicates to another person models or instructions of a technical nature, particularly drawings, prototypes, patterns, segments or formulas, entrusted to him for the purposes of competition or for personal gain shall be liable to imprisonment not exceeding two years or to a fine.</p> <p>(2) An attempt shall incur criminal liability.</p> <p>(3) The offence shall be prosecuted upon application only, unless the criminal prosecution authority considers that it is necessary to take ex officio action on account of the particular public interest in the criminal prosecution.</p> <p>(4) Section 5, number 7, of the Criminal Code shall apply mutatis mutandis.</p>	<p>§ 18 UWG</p> <p>Verwertung von Vorlagen</p> <p>(1) Wer die ihm im geschäftlichen Verkehr anvertrauten Vorlagen oder Vorschriften technischer Art, insbesondere Zeichnungen, Modelle, Schablonen, Schnitte, Rezepte, zu Zwecken des Wettbewerbs oder aus Eigennutz unbefugt verwertet oder jemandem mitteilt, wird mit Freiheitsstrafe bis zu zwei Jahren oder mit Geldstrafe bestraft.</p> <p>(2) Der Versuch ist strafbar.</p> <p>(3) Die Tat wird nur auf Antrag verfolgt, es sei denn, dass die Strafverfolgungsbehörde wegen des besonderen öffentlichen Interesses an der Strafverfolgung ein Einschreiten von Amts wegen für geboten hält.</p> <p>(4) § 5 Nummer 7 des Strafgesetzbuches gilt entsprechend.</p>
<p>Sec. 19 UWG</p> <p>Suborning and offering disclosure</p> <p>(1) Whoever for the purposes of competition or for personal gain attempts to procure another person to commit a criminal offence pursuant</p>	<p>§ 19 UWG</p> <p>Verleiten und Erbieten zum Verrat</p> <p>(1) Wer zu Zwecken des Wettbewerbs oder aus Eigennutz jemanden zu bestimmen versucht, eine Straftat nach § 17 oder § 18 zu begehen</p>

<p>to Section 17 or Section 18 or to incite the commission of such an offence shall be liable to imprisonment not exceeding two years or to a fine.</p> <p>(2) Whoever for the purposes of competition or for personal gain offers, or accepts the offer of another person, or conspires with another person, to commit, or to incite the commission of, a criminal offence pursuant to Section 17 or Section 18 shall incur the same liability.</p> <p>(3) Section 31 of the Criminal Code shall apply mutatis mutandis.</p> <p>(4) The offence shall be prosecuted upon application only, unless the criminal prosecution authority considers that it is necessary to take ex officio action on account of the particular public interest in the criminal prosecution.</p> <p>(5) Section 5, number 7, of the Criminal Code shall apply mutatis mutandis.</p>	<p>oder zu einer solchen Straftat anzustiften, wird mit Freiheitsstrafe bis zu zwei Jahren oder mit Geldstrafe bestraft.</p> <p>(2) Ebenso wird bestraft, wer zu Zwecken des Wettbewerbs oder aus Eigennutz sich bereit erklärt oder das Erbieten eines anderen annimmt oder mit einem anderen verabredet, eine Straftat nach § 17 oder § 18 zu begehen oder zu ihr anzustiften.</p> <p>(3) § 31 des Strafgesetzbuches gilt entsprechend.</p> <p>(4) Die Tat wird nur auf Antrag verfolgt, es sei denn, dass die Strafverfolgungsbehörde wegen des besonderen öffentlichen Interesses an der Strafverfolgung ein Einschreiten von Amts wegen für geboten hält.</p> <p>(5) § 5 Nummer 7 des Strafgesetzbuches gilt entsprechend.</p>
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German Criminal Code ("StGB")

Field of Law: Criminal Law / Context: Criminal Law

<p>Sec. 203 StGB</p> <p>Violation of Private Secrets</p> <p>(1) Whosoever unlawfully discloses a</p>	<p>§ 203 StGB</p> <p>Verletzung von Privatgeheimnissen</p> <p>(1) Wer unbefugt ein fremdes</p>
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<p>secret of another, in particular, a secret which belongs to the sphere of personal privacy or a business or trade secret, which was confided to or otherwise made known to him in his capacity as a</p> <ol style="list-style-type: none"> <li>1. physician, dentist, veterinarian, pharmacist or member of another healthcare profession which requires state-regulated education for engaging in the profession or to use the professional title;</li> <li>2. professional psychologist with a final scientific examination recognised by the State;</li> <li>3. attorney, patent attorney, notary, defence counsel in statutorily regulated proceedings, certified public accountant, sworn auditor, tax consultant, tax agent, or organ or member of an organ of a law, patent law, accounting, auditing or tax consulting firm in the form of a company;</li> <li>4. marriage, family, education or youth counselor as well as addiction counsellor at a counselling agency which is recognised by a public authority or body, institution or foundation under public law.</li> <li>4a. member or agent of a counseling agency recognized under section 3 and section 8 of the Act on Pregnancies in Conflict Situations;</li> <li>5. state-recognised social worker or state-recognised social education worker; or</li> <li>6. member of a private health, accident or life insurance company or a private medical, tax consultant or attorney invoicing</li> </ol>	<p>Geheimnis, namentlich ein zum persönlichen Lebensbereich gehörendes Geheimnis oder ein Betriebs- oder Geschäftsgeheimnis, offenbart, das ihm als</p> <ol style="list-style-type: none"> <li>1. Arzt, Zahnarzt, Tierarzt, Apotheker oder Angehörigen eines anderen Heilberufs, der für die Berufsausübung oder die Führung der Berufsbezeichnung eine staatlich geregelte Ausbildung erfordert,</li> <li>2. Berufspsychologen mit staatlich anerkannter wissenschaftlich Abschlußprüfung,</li> <li>3. Rechtsanwalt, Patentanwalt, Notar, Verteidiger in einem gesetzlich geordneten Verfahren, Wirtschaftsprüfer, vereidigtem Buchprüfer, Steuerberater, Steuerbevollmächtigten oder Organ oder Mitglied eines Organs einer Rechtsanwalts-, Patentanwalts-, Wirtschaftsprüfungs-, Buchprüfungs- oder Steuerberatungsgesellschaft,</li> <li>4. Ehe-, Familien-, Erziehungs- oder Jugendberater sowie Berater für Suchtfragen in einer Beratungsstelle, die von einer Behörde oder Körperschaft, Anstalt oder Stiftung des öffentlichen Rechts anerkannt ist.</li> <li>4a. Mitglied oder Beauftragten einer anerkannten Beratungsstelle nach den §§ 3 und 8 des Schwangerschaftskonfliktgesetzes,</li> <li>5. staatlich anerkanntem Sozialarbeiter oder staatlich anerkanntem Sozialpädagogen oder</li> </ol>
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<p>service,</p> <p>shall be liable to imprisonment of not more than one year or a fine.</p> <p>(2) Whosoever unlawfully discloses a secret of another, in particular, a secret which belongs to the sphere of personal privacy or a business or trade secret, which was confided to or otherwise made known to him in his capacity as a</p> <ol style="list-style-type: none"> <li>1. public official;</li> <li>2. person entrusted with special public service functions;</li> <li>3. person who exercises duties or powers under the law on staff employment representation;</li> <li>4. member of an investigative committee working for a legislative body of the Federation or a state, another committee or council which is not itself part of the legislative body, or as an assistant for such a committee or council; or</li> <li>5. publicly appointed expert who is formally obliged by law to conscientiously fulfill his duties, or</li> <li>6. person who is formally obliged by law to conscientiously fulfill his duty of confidentiality in the course of scientific research projects,</li> </ol> <p>shall incur the same penalty. Particular statements about personal or material relationships of another which have been collected for public administration purposes shall be deemed to be equivalent to a secret within the meaning of the 1st</p>	<ol style="list-style-type: none"> <li>6. Angehörigen eines Unternehmens der privaten Kranken-, Unfall oder Lebensversicherung oder einer privatärztlichen, steuerberaterlichen oder anwaltlichen Verrechnungsstelle</li> </ol> <p>anvertraut worden oder sonst bekanntgeworden ist, wird mit Freiheitsstrafe bis zu einem Jahr oder mit Geldstrafe bestraft.</p> <p>(2) Ebenso wird bestraft, wer unbefugt ein fremdes Geheimnis, namentlich ein zum persönlichen Lebensbereich gehörendes Geheimnis oder ein Betriebs- oder Geschäftsgeheimnis, offenbart, das ihm als</p> <ol style="list-style-type: none"> <li>1. Amtsträger,</li> <li>2. für den öffentlichen Dienst besonders Verpflichteten,</li> <li>3. Person, die Aufgaben oder Befugnisse nach dem Personalvertretungsrecht wahrnimmt,</li> <li>4. Mitglied eines für ein Gesetzgebungsorgan des Bundes oder eines Landes tätigen Untersuchungsausschusses, sonstigen Ausschusses oder Rates, das nicht selbst Mitglied des Gesetzgebungsorgans ist, oder als Hilfskraft eines solchen Ausschusses oder Rates,</li> <li>5. öffentlich bestelltem Sachverständigen, der auf die gewissenhafte Erfüllung seiner Obliegenheiten auf Grund eines Gesetzes förmlich verpflichtet worden ist, oder</li> <li>6. Person, die auf die gewissenhafte Erfüllung ihrer Geheimhaltungspflicht bei der</li> </ol>
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<p>sentence above; the 1st sentence above shall not apply to the extent that such particular statements are made known to other public authorities or other agencies for public administration purposes unless the law forbids it.</p> <p>(2a) Subsections (1) and (2) above shall apply mutatis mutandis when a data protection officer without authorisation discloses the secret of another within the meaning of these provisions, which was entrusted to or otherwise revealed to one of the persons named in subsections (1) or (2) above in their professional capacity and of which he has gained knowledge in the course of the fulfilment of his duties as data protection officer.</p> <p>(3) Other members of a bar association shall be deemed to be equivalent to an attorney named in subsection (1) No 3 above. The persons named in subsection (1) and the 1st sentence above shall be equivalent to their professionally active assistants and those persons who work with them in training for the exercise of their profession. After the death of the person obliged to keep the secret, whosoever acquired the secret from the deceased or from his estate shall be equivalent to the persons named in subsection (1) and in the 1st and 2nd sentences above.</p> <p>(4) Subsections (1) to (3) above shall also apply if the offender unlawfully discloses the secret of another person after the death of that person.</p>	<p>Durchführung wissenschaftlicher Forschungsvorhaben auf Grund eines Gesetzes förmlich verpflichtet worden ist,</p> <p>anvertraut worden oder sonst bekanntgeworden ist. Einem Geheimnis im Sinne des Satzes 1 stehen Einzelangaben über persönliche oder sachliche Verhältnisse eines anderen gleich, die für Aufgaben der öffentlichen Verwaltung erfaßt worden sind; Satz 1 ist jedoch nicht anzuwenden, soweit solche Einzelangaben anderen Behörden oder sonstigen Stellen für Aufgaben der öffentlichen Verwaltung bekanntgegeben werden und das Gesetz dies nicht untersagt.</p> <p>(2a)Die Absätze 1 und 2 gelten entsprechend, wenn ein Beauftragter für den Datenschutz unbefugt ein fremdes Geheimnis im Sinne dieser Vorschriften offenbart, das einem in den Absätzen 1 und 2 Genannten in dessen beruflicher Eigenschaft anvertraut worden oder sonst bekannt geworden ist und von dem er bei der Erfüllung seiner Aufgaben als Beauftragter für den Datenschutz Kenntnis erlangt hat.</p> <p>(3) Einem in Absatz 1 Nr. 3 genannten Rechtsanwalt stehen andere Mitglieder einer Rechtsanwaltskammer gleich. Den in Absatz 1 und Satz 1 Genannten stehen ihre berufsmäßig tätigen Gehilfen und die Personen gleich, die bei ihnen zur Vorbereitung auf den Beruf tätig sind. Den in Absatz 1 und den in Satz 1 und 2 Genannten steht</p>
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<p>(5) If the offender acts for material gain or with the intent of enriching himself or another or of harming another the penalty shall be imprisonment of not more than two years or a fine.</p>	<p>nach dem Tod des zur Wahrung des Geheimnisses Verpflichteten ferner gleich, wer das Geheimnis von dem Verstorbenen oder aus dessen Nachlaß erlangt hat.</p> <p>(4) Die Absätze 1 bis 3 sind auch anzuwenden, wenn der Täter das fremde Geheimnis nach dem Tod des Betroffenen unbefugt offenbart.</p> <p>(5) Handelt der Täter gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, so ist die Strafe Freiheitsstrafe bis zu zwei Jahren oder Geldstrafe.</p>
<p>Sec. 204 StGB</p> <p>Exploitation of the Secrets of Others</p> <p>(1) Whosoever unlawfully exploits the secret of others, in particular a business or trade secret, which he is obliged to keep secret pursuant to section 203, shall be liable to imprisonment of not more than two years or a fine.</p> <p>(2) Section 203 (4) shall apply mutatis mutandis.</p>	<p>§ 204 StGB</p> <p>Verwertung fremder Geheimnisse</p> <p>(1) Wer unbefugt ein fremdes Geheimnis, namentlich ein Betriebs- oder Geschäftsgeheimnis, zu dessen Geheimhaltung er nach § 203 verpflichtet ist, verwertet, wird mit Freiheitsstrafe bis zu zwei Jahren oder mit Geldstrafe bestraft.</p> <p>(2) § 203 Abs. 4 gilt entsprechend.</p>

Limited Liability Company Act ("GmbHG")

Field of Law: Criminal Law / Context: Company Law

<p>Sec. 85 GmbHG</p> <p>Violation of the duty of confidentiality</p> <p>(1) Whoever without authorisation discloses a secret of the company, in</p>	<p>§ 85 GmbHG</p> <p>Verletzung der Geheimhaltungspflicht</p> <p>(1) Mit Freiheitsstrafe bis zu einem Jahr oder mit Geldstrafe wird bestraft,</p>
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<p>particular a trade or business secret, shall be punished by imprisonment of up to one year or by fine if such secret became known to him in his capacity as company director, member of the supervisory board or liquidator.</p> <p>(2) If such offender acted material gain or with the intent to enrich himself or another person or to harm another person, the punishment shall be imprisonment of up to two years or a fine. Whoever unlawfully uses a secret of the kind specified in subsection 1 in particular a trade or business secret, which he has learned under the circumstances of subsection 1 shall be punished in the same manner.</p> <p>(3) The offence shall be prosecuted only upon application of the company. If such offence is committed by a company director, the application may be made by the supervisory board and, if no supervisory board exists, by a special representative appointed by the shareholders. If such offence is committed by a member of the supervisory board, such application may be made by the management board or the liquidators.</p>	<p>wer ein Geheimnis der Gesellschaft, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm in seiner Eigenschaft als Geschäftsführer, Mitglied des Aufsichtsrats oder Liquidator bekanntgeworden ist, unbefugt offenbart.</p> <p>(2) Handelt der Täter gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, so ist die Strafe Freiheitsstrafe bis zu zwei Jahren oder Geldstrafe. Ebenso wird bestraft, wer ein Geheimnis der in Absatz 1 bezeichneten Art, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm unter den Voraussetzungen des Absatzes 1 bekanntgeworden ist, unbefugt verwertet.</p> <p>(3) Die Tat wird nur auf Antrag der Gesellschaft verfolgt. Hat ein Geschäftsführer oder ein Liquidator die Tat begangen, so ist der Aufsichtsrat und, wenn kein Aufsichtsrat vorhanden ist, von den Gesellschaftern bestellten besondere Vertreter antragsberechtigt. Hat ein Mitglied des Aufsichtsrats die Tat begangen, so sind die Geschäftsführer oder die Liquidatoren antragsberechtigt.</p>
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Stock Corporation Act ("AktG")

Field of Law: Criminal Law / Context: Company Law

Sec. 404 AktG	§ 404 AktG
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<p>Violation of the duty of confidentiality</p> <p>(1) Whoever without authorisation discloses a secret of the company, in particular a trade or business secret, shall be punished by imprisonment of up to one year or by fine if such secret became known to him in his capacity as:</p> <ol style="list-style-type: none"> <li>1. a member of the management board or the supervisory board or liquidator;</li> <li>2. auditor or assistant of an auditor;</li> </ol> <p>in case of no. 2, however only if such act does not constitute a criminal offense pursuant to sec. 333 of the Commercial Code.</p> <p>(2) If such offender acted material gain or with the intent to enrich himself or another person to harm another person, the punishment shall be imprisonment of up to two years or a fine. Whoever unlawfully uses a secret of the kind specified in subsection 1, in particular a trade or business secret, which he has learned under the circumstances of subsection 1 shall be punished in the same manner.</p> <p>(3) The offence shall be prosecuted only upon application by the company. Such application may be made by the supervisory board if a member of the management board or liquidator committed such offence; such application may be made by the management board or the liquidators if a member of the supervisory board committed such offence.</p>	<p>Verletzung der Geheimhaltungspflicht</p> <p>(1) Mit Freiheitsstrafe bis zu einem Jahr, bei börsennotierten Gesellschaften bis zu zwei Jahren, oder mit Geldstrafe wird bestraft, wer ein Geheimnis der Gesellschaft, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm in seiner Eigenschaft als</p> <ol style="list-style-type: none"> <li>1. Mitglied des Vorstands oder des Aufsichtsrats oder Abwickler,</li> <li>2. Prüfer oder Gehilfe eines Prüfers bekanntgeworden ist, unbefugt offenbart; im Falle der Nummer 2 jedoch nur, wenn die Tat nicht in § 333 des Handelsgesetzbuchs mit Strafe bedroht ist.</li> </ol> <p>(2) Handelt der Täter gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, so ist die Strafe Freiheitsstrafe bis zu zwei Jahren, bei börsennotierten Gesellschaften bis zu drei Jahren, oder Geldstrafe. Ebenso wird bestraft, wer ein Geheimnis der in Absatz 1 bezeichneten Art, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm unter den Voraussetzungen des Absatzes 1 bekanntgeworden ist, unbefugt verwertet.</p> <p>(3) Die Tat wird nur auf Antrag der Gesellschaft verfolgt. Hat ein Mitglied des Vorstands oder ein Abwickler die Tat begangen, so ist der Aufsichtsrat, hat ein Mitglied des Aufsichtsrats die Tat begangen, so sind der Vorstand oder die Abwickler antragsberechtigt.</p>
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Commercial Code ("HGB")

Field of Law: Civil Law (Sec. 90); Criminal Law (Sec. 333) / Context: Commercial Law

<p>Sec. 90 HGB</p> <p>Unauthorized Revealing of Third-party Professional or Trade Secrets</p> <p>A commercial agent may not, even after termination of his contractual relationship, utilize or disclose to others any trade or business secrets which have been entrusted to him or that he has learned by reason of his activity for the principal insofar as this would under all circumstances be contrary to the professional standards of a prudent merchant.</p>	<p>§ 90 HGB</p> <p>Unbefugte Offenbarung fremder Betriebs- oder Geschäftsgeheimnisse</p> <p>Der Handelsvertreter darf Geschäfts- und Betriebsgeheimnisse, die ihm anvertraut oder als solche durch seine Tätigkeit für den Unternehmer bekanntgeworden sind, auch nach Beendigung des Vertragsverhältnisses nicht verwerthen oder anderen mitteilen, soweit dies nach den gesamten Umständen der Berufsauffassung eines ordentlichen Kaufmannes widersprechen würde.</p>
<p>Sec. 333 HGB</p> <p>Violation of the duty of confidentiality</p> <p>(1) By imprisonment of up to one year or by fine shall be punished whoever without authorization discloses a secret of the company, of a subsidiary (Sec. 290 para. 1, 2), of a jointly run enterprise (Sec. 310) or of an associated enterprise (Sec. 311), in particular a trade or business secret, which became known to him in his capacity as auditor or assistant to an auditor while examining the annual financial statements, a separate financial statements in accordance with § 325 subsection 2 or the consolidated financial statements, or whoever without authorization reveals a business or trade secret or any</p>	<p>§ 333 HGB</p> <p>Verletzung der Geheimhaltungspflicht</p> <p>(1) Mit Freiheitsstrafe bis zu einem Jahr oder mit Geldstrafe wird bestraft, wer ein Geheimnis der Kapitalgesellschaft, eines Tochterunternehmens (§290 Abs. 1, 2), eines gemeinsam geführten Unternehmens (§ 310) oder eines assoziierten Unternehmens (§ 311), namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm in seiner Eigenschaft als Abschlussprüfer oder Gehilfe eines Abschlussprüfers bei Prüfung des Jahresabschlusses, eines Einzelabschlusses nach § 325 Abs. 2a oder des Konzernabschlusses bekannt geworden ist, oder wer ein Geschäfts- oder Betriebsgeheimnis</p>

<p>knowledge about the company, which has become known to him as an employee at a inspecting authority in accordance with § 342b subsection 1 during the examination.</p> <p>(2) If such offender acted material gain or with the intent to enrich himself or another person to harm another person, the punishment shall be imprisonment of up to two years or a fine. Whoever unlawfully uses a secret of the kind specified in subsection 1, in particular a trade or business secret, which he has learned under the circumstances of subsection 1 shall be punished in the same manner.</p> <p>(3) The offence shall be prosecuted only upon application by the company.</p>	<p>oder eine Erkenntnis über das Unternehmen, das ihm als Beschäftigter bei einer Prüfstelle im Sinne von § 342b Abs. 1 bei der Prüftätigkeit bekannt geworden ist, unbefugt offenbart.</p> <p>(2) Handelt der Täter gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, so ist die Strafe Freiheitsstrafe bis zu zwei Jahren oder Geldstrafe. Ebenso wird bestraft, wer ein Geheimnis der in Absatz 1 bezeichneten Art, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm unter den Voraussetzungen des Absatzes 1 bekannt geworden ist, unbefugt verwertet.</p> <p>(3) Die Tat wird nur auf Antrag der Kapitalgesellschaft verfolgt.</p>
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Cooperative Societies Act ("GenossenschaftsG")

Field of Law: Criminal Law / Context: Company Law

<p>Sec. 151</p> <p>Violation of the duty of confidentiality</p> <p>(1) Whoever without authorisation discloses a secret of the cooperative, in particular a trade or business secret, shall be punished by imprisonment of up to one year or by fine if such secret became known to him in his capacity as:</p> <ol style="list-style-type: none"> <li>1. a member of the management board or the supervisory board or liquidator;</li> <li>2. auditor or assistant of an auditor; in</li> </ol>	<p>§ 151</p> <p>Verletzung der Geheimhaltungspflicht</p> <p>(1) Mit Freiheitsstrafe bis zu einem Jahr oder mit Geldstrafe wird bestraft, wer ein Geheimnis der Genossenschaft, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm in seiner Eigenschaft als</p> <ol style="list-style-type: none"> <li>1. Mitglied des Vorstands oder des Aufsichtsrats oder Liquidator oder</li> <li>2. Prüfer oder Gehilfe eines Prüfers</li> </ol> <p>bekannt geworden ist, unbefugt</p>
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<p>case of no. 2, however only if such act does not constitute a criminal offense pursuant to sec. 340m in conjunction with sec. 333 of the Commercial Code.</p> <p>(2) If such offender acted for material gain or with the intent to enrich himself or another person or to harm another person, the punishment shall be imprisonment of up to two years or a fine. Whoever unlawfully uses a secret of the kind specified in subsection 1 in particular a trade or business secret, which he has learned under the circumstances of subsection 1 shall be punished in the same manner.</p> <p>(3) The offence shall be prosecuted only upon application of the cooperative. If such offence is committed by a company director, the application may be made by the supervisory board and, if no supervisory board exists, by a special representative appointed by the shareholders. If such offence is committed by a member of the supervisory board, such application may be made by the management board or the liquidators.</p>	<p>offenbart, im Falle der Nummer 2 jedoch nur, wenn die Tat nicht in § 340m in Verbindung mit § 333 des Handelsgesetzbuchs mit Strafe bedroht ist.</p> <p>(2) Handelt der Täter gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, so ist die Strafe Freiheitsstrafe bis zu zwei Jahren oder Geldstrafe. Ebenso wird bestraft, wer ein Geheimnis der in Absatz 1 bezeichneten Art, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm unter den Voraussetzungen des Absatzes 1 bekannt geworden ist, unbefugt verwertet.</p> <p>(3) Die Tat wird nur auf Antrag der Genossenschaft verfolgt. Hat ein Mitglied des Vorstands oder ein Liquidator die Tat begangen, so ist der Aufsichtsrat, hat ein Mitglied des Aufsichtsrats die Tat begangen, so sind der Vorstand oder die Liquidatoren antragsberechtigt.</p>
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Works Constitution Act ("BetrVG")

Field of Law: Criminal Law / Context: Labour Law

<p>Sec. 120</p> <p>Breach of secrecy</p>	<p>§ 120</p> <p>Verletzung von Geheimnissen</p>
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<p>(1) Whoever, without being authorised, discloses a third party's trade or business secret which the employer has expressly stated to be confidential and that has come to his knowledge while serving as</p> <ol style="list-style-type: none"> <li>1. a member or substitute member of the works council or one of the bodies referred to in section 79 (2),</li> <li>2. a representative of a trade union or employers' association,</li> <li>3. an expert who has been called in by the works council under section 80 (3) or consulted by the conciliation committee under the third sentence of section 109,</li> <li>3a. a consultant retained by the works council under the second sentence of section 111,</li> <li>3b. personnel providing information to the works council in accordance with the third sentence of section 80 (2),</li> <li>4. an employee who has been called in by the works council in accordance with the third sentence of section 107 (3) or by the finance committee under the second sentence of section 108 (2)</li> </ol> <p>shall be liable to a term of imprisonment of up to one year or a fine.</p> <p>(2) A similar penalty shall be imposed on any person who without being authorized to do so divulges an employee's secret and specifically a personal secret which has come to his knowledge while he was serving as a member or substitute member</p>	<p>(1) Wer unbefugt ein fremdes Betriebs- oder Geschäftsgeheimnis offenbart, das ihm in seiner Eigenschaft als</p> <ol style="list-style-type: none"> <li>1. Mitglied oder Ersatzmitglied des Betriebsrats oder einer der in § 79 Abs. 2 bezeichneten Stellen,</li> <li>2. Vertreter einer Gewerkschaft oder ,</li> <li>3. Sachverständiger, der vom Betriebsrat nach § 80 Abs. 3 hinzugezogen oder von der Einigungsstelle nach § 109 Satz 3 angehört worden ist,</li> <li>3a. Berater, der vom Betriebsrat nach § 111 Satz 2 hinzugezogen worden ist,</li> <li>3b. Auskunftsperson, die dem Betriebsrat nach § 80 Abs. 2 Satz 3 zur Verfügung gestellt worden ist, oder</li> <li>4. Arbeitnehmer, der vom Betriebsrat nach § 107 Abs. 3 Satz 3 oder vom Wirtschaftsausschuss nach § 108 Abs. 2 Satz 2 hinzugezogen worden ist,</li> </ol> <p>bekannt geworden und das vom Arbeitgeber ausdrücklich als geheimhaltungsbedürftig bezeichnet worden ist, wird mit Freiheitsstrafe bis zu einem Jahr oder mit Geldstrafe bestraft.</p> <p>(2) Ebenso wird bestraft, wer unbefugt ein fremdes Geheimnis eines Arbeitnehmers, namentlich ein zu dessen persönlichen Lebensbereich gehörendes Geheimnis, offenbart, das ihm in seiner Eigenschaft als Mitglied oder Ersatzmitglied des Betriebsrats oder einer der in § 79 Abs. 2 bezeichneten Stellen bekannt</p>
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<p>of the works council or one of the bodies referred to in section 79 (2) and in respect of which he is bound to secrecy under the provisions of this Act.</p> <p>(3) Where an offender has acted for material gain or with the intention of obtaining some advantage for himself or another person or of harming any other person, the penalty shall be a term of imprisonment of up to two years or a fine. A similar penalty shall be imposed on any person who, without being authorised to do so, exploits a third party's secret and specifically a trade or business secret in respect of which he is bound to secrecy under the provisions of subsections 1 or 2.</p> <p>(4) Subsections (1) to (3) shall also be applicable if the offender divulges or exploits the third-party secret after the death of the person concerned.</p> <p>(5) Proceedings for the offence shall be instituted only on application by the injured party. If the injured party dies, the right to apply shall pass to the relatives in accordance with section 77 (2) of the Criminal Code insofar as the secret belongs to the personal sphere of the injured party; in all other cases it shall pass to the heirs. Where the offender divulges the secret after the death of the party concerned, the second sentence of this subsection shall apply, mutatis mutandis</p>	<p>geworden ist und über das nach den Vorschriften dieses Gesetzes Stillschweigen zu bewahren ist.</p> <p>(3) Handelt der Täter gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, so ist die Strafe Freiheitsstrafe bis zu zwei Jahren oder Geldstrafe. Ebenso wird bestraft, wer unbefugt ein fremdes Geheimnis, namentlich ein Betriebs- oder Geschäftsgeheimnis, zu dessen Geheimhaltung er nach den Absätzen 1 oder 2 verpflichtet ist, verwertet.</p> <p>(4) Die Absätze 1 bis 3 sind auch anzuwenden, wenn der Täter das fremde Geheimnis nach dem Tode des Betroffenen unbefugt offenbart oder verwertet.</p> <p>(5) Die Tat wird nur auf Antrag des Verletzten verfolgt. Stirbt der Verletzte, so geht das Antragsrecht nach § 77 Abs. 2 des Strafgesetzbuches auf die Angehörigen über, wenn das Geheimnis zum persönlichen Lebensbereich des Verletzten gehört; in anderen Fällen geht es auf die Erben über. Offenbart der Täter das Geheimnis nach dem Tode des Betroffenen, so gilt Satz 2 sinngemäß.</p>
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Courts Constitution Act ("GVG")

Field of Law: Public Law / Context: Procedural Law

<p>Sec. 172</p> <p>Closed session due to peril</p> <p>The court may exclude the public from a hearing or from a part thereof if</p> <ol style="list-style-type: none"> <li>1. endangerment of state security, the public order or public morals is to be feared,</li> <li>1a. endangerment of the life, limb or liberty of a witness or another person is to be feared,</li> <li>2. an important business, trade, invention or tax secret is mentioned, the public discussion of which would violate overriding interests worthy of protection,</li> <li>3. a private secret is discussed, the unauthorised disclosure of which by a witness or expert carries a penalty,</li> <li>4. a person under the age of 18 is examined.</li> </ol>	<p>§ 172</p> <p>Ausschluss der Öffentlichkeit wegen Gefährdung</p> <p>Das Gericht kann für die Verhandlung oder für einen Teil davon die Öffentlichkeit ausschließen, wenn</p> <ol style="list-style-type: none"> <li>1. eine Gefährdung der Staatssicherheit, der öffentlichen Ordnung oder der Sittlichkeit zu besorgen ist,</li> <li>1a. eine Gefährdung des Lebens, des Leibes oder der Freiheit eines Zeugen oder einer anderen Person zu besorgen ist,</li> <li>2. ein wichtiges Geschäfts-, Betriebs-, Erfindungs- oder Steuergeheimnis zur Sprache kommt, durch dessen öffentliche Erörterung überwiegende schutzwürdige Interessen verletzt würden,</li> <li>3. ein privates Geheimnis erörtert wird, dessen unbefugte Offenbarung durch den Zeugen oder Sachverständigen mit Strafe bedroht ist,</li> <li>4. eine Person unter 18 Jahren vernommen wird.</li> </ol>
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Insurance Supervision Act ("VAG")

Field of Law: Criminal Law / Context: Insurance Law

<p>Sec. 138 VAG</p> <p>Violation of the duty of confidentiality</p> <p>(1) A person who, except for the cases under section 333 of the Commercial Code or section 404 of the Stock Corporation Act, discloses any secret of the insurance undertaking without being authorised to do so, in</p>	<p>§ 138 VAG</p> <p>Verletzung der Geheimhaltungspflicht</p> <p>(1) Wer, abgesehen von den Fällen des § 333 des Handelsgesetzbuchs oder des § 404 des Aktiengesetzes, ein Geheimnis des Versicherungsunternehmens oder Pensionsfonds (§ 112 Abs. 1 Satz 1),</p>
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<p>particular any business or trade secret which has come to his knowledge in his capacity as</p> <ol style="list-style-type: none"> <li>1. auditor or assistant to an auditor in accordance with section 341k in conjunction with section 319 of the Commercial Code,</li> <li>2. member of the board of directors or supervisory board or liquidator,</li> </ol> <p>shall be punished by imprisonment for a term not exceeding one year or by fine. The same applies to persons who work for a protection fund in accordance with § 133.</p> <p>(2) If the offender acts for a consideration or with the intent to enrich himself or another person or to harm another person he shall be punished with imprisonment for a term not exceeding two years or by imposing a fine. Subject to punishment shall also be any person who makes use of a secret of the kind described under subsection 1 above, in particular any business or trade secret which came to his knowledge as specified under subsection 1 above.</p> <p>(3) The offence shall only be prosecuted at the request of the insurance undertaking. If a member of the board of directors or a liquidator has committed the offence the supervisory board shall be entitled to make the request, if a member of the supervisory board has committed the offence the board of directors or the liquidator shall be entitled to make the request.</p>	<p>namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm in seiner Eigenschaft als</p> <ol style="list-style-type: none"> <li>1. Prüfer oder Gehilfe eines Prüfers nach § 341k in Verbindung mit § 319 des Handelsgesetzbuchs,</li> <li>2. Mitglied des Vorstands oder des Aufsichtsrats oder Liquidator bekanntgeworden ist,</li> </ol> <p>unbefugt offenbart, wird mit Freiheitsstrafe bis zu einem Jahr oder mit Geldstrafe bestraft. Dasselbe gilt für die gemäß § 133 für einen Sicherungsfonds tätigen Personen.</p> <p>(2) Handelt der Täter gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, so ist die Strafe Freiheitsstrafe bis zu zwei Jahren oder Geldstrafe. Ebenso wird bestraft, wer ein Geheimnis der in Absatz 1 bezeichneten Art, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm unter den Voraussetzungen des Absatzes 1 bekanntgeworden ist, unbefugt verwertet.</p> <p>(3) Die Tat wird nur auf Antrag des Versicherungsunternehmens oder Pensionsfonds (§ 112 Abs. 1 Satz 1) verfolgt. Hat ein Mitglied des Vorstands oder ein Liquidator die Tat begangen, so ist der Aufsichtsrat, hat ein Mitglied des Aufsichtsrats die Tat begangen, so sind der Vorstand oder die Liquidatoren antragsberechtigt.</p>
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Transformation Act ("UmwG"):

Field of Law: Criminal Law / Context: Company Law

<p>Sec. 315 UmwG</p> <p>Breach of duty of confidentiality</p> <p>(1) Any person who without authorization discloses a secret of a legal entity involved in a reorganization, namely a business or trade secret, which has come to his/her knowledge in his/her capacity as</p> <ol style="list-style-type: none"><li>1. a member of the representative body, a shareholder or a partner authorized to represent the company, a member of a supervisory board or a liquidator of this or another legal entity involved in the reorganization;</li><li>2. a merger, division or transfer auditor or an assistant of such an auditor,</li></ol> <p>shall be liable to a term of imprisonment not exceeding one year or to a fine if the offence is in the case of No. 1 not subject to a penalty in Sec. 85 German Limited Liability Companies Act, Sec. 404 German Stock Corporation Act, Sect. 151 German Cooperative Societies Act or Sec. 138 German Insurance Supervisory Act and, in the case of No. 2, Sec. 333 German Commercial Code.</p> <p>(2) In the event that the offender acts for a consideration or with the intent to enrich himself/herself or any other person or cause damage to any other</p>	<p>§ 315 UmwG</p> <p>Verletzung der Geheimhaltungspflicht</p> <p>(1) Mit Freiheitsstrafen bis zu einem Jahr oder mit Geldstrafe wird bestraft, wer ein Geheimnis eines an einer Umwandlung beteiligten Rechtsträgers, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm in seiner Eigenschaft als</p> <ol style="list-style-type: none"><li>1. Mitglied des Vertretungsorgans, vertretungsberechtigter Gesellschafter oder Partner, Mitglied eines Aufsichtsrats oder Abwickler dieses oder eines anderen an der Umwandlung beteiligten Rechtsträgers,</li><li>2. Verschmelzungs-, Spaltungs- oder Übertragungsprüfer oder Gehilfe eines solchen Prüfers</li></ol> <p>bekannt geworden ist, unbefugt offenbart, wenn die Tat im Falle der Nummer 1 nicht in § 85 des Gesetzes betreffend die Gesellschaften mit beschränkter Haftung, § 404 des Aktiengesetzes, § 151 des Genossenschaftsgesetzes oder § 138 des Versicherungsaufsichtsgesetzes, im Falle der Nummer 2 nicht in § 333 des Handelsgesetzbuchs mit Strafe bedroht ist.</p> <p>(2) Handelt der Täter gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, so ist die</p>
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<p>person, the punishment shall be a term of imprisonment not exceeding two years or a fine. Any person who makes unauthorised use of a secret of the kind referred to in Paragraph 1, namely a business or trade secret, which has come to his/her knowledge on the conditions of Paragraph 1 shall be liable to equal punishment.</p> <p>(3) The offence shall only be prosecuted at the request of any of the legal entities involved in the reorganization. In the event that a member of a representative body, a shareholder or a partner authorised to represent the legal entity or a liquidator has committed the offence, application may be filed also by a supervisory board or a shareholder or a partner not being authorized to represent that legal entity. In the event that a member of a supervisory board has committed the offence, application may be filed also by the members of the board of directors, the shareholders or the partners authorized to represent the legal entity or the liquidators.</p>	<p>Strafe Freiheitsstrafe bis zu zwei Jahren oder Geldstrafe. Ebenso wird bestraft, wer ein Geheimnis der in Absatz 1 bezeichneten Art, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm unter den Voraussetzungen des Absatzes 1 bekannt geworden ist, unbefugt verwertet.</p> <p>(3) Die Tat wird nur auf Antrag eines der an der Umwandlung beteiligten Rechtsträger verfolgt. Hat ein Mitglied eines Vertretungsorgans, ein vertretungsberechtigter Gesellschafter oder Partner oder ein Abwickler die Tat begangen, so sind auch ein Aufsichtsrat oder ein nicht vertretungsberechtigter Gesellschafter oder Partner antragsberechtigt. Hat ein Mitglied eines Aufsichtsrats die Tat begangen, sind auch die Mitglieder des Vorstands, die vertretungsberechtigten Gesellschafter oder Partner oder die Abwickler antragsberechtigt.</p>
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Law Concerning the Implementation of the EU-Regulation on the European Economic Interest Group ("EWIVAG")

Field of Law: Criminal Law / Context: Company Law

<p>Sec. 14 EWIVAG</p> <p>Violation of obligation to secrecy</p> <p>(1) Whoever without authorisation discloses a secret of the organization; in particular a trade or</p>	<p>§ 14 EWIVAG</p> <p>Verletzung der Geheimhaltungspflicht</p> <p>(1) Mit Freiheitsstrafe bis zu einem Jahr oder mit Geldstrafe wird bestraft,</p>
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<p>business secret, which has come to his knowledge in his capacity as managing director or liquidator, shall be punished by imprisonment of up to one year or by fine.</p> <p>(2) If such offender acted material gain or with the intent to enrich himself or another person or to harm another person, the punishment shall be imprisonment of up to two years or a fine. Whoever unlawfully uses a secret of the kind specified in subsection 1 in particular a trade or business secret, which he has learned under the circumstances of subsection 1 shall be punished in the same manner.</p> <p>(3) The offence shall only be prosecuted upon request. The application must be submitted by special representatives who are appointed by the members.</p>	<p>wer ein Geheimnis der Vereinigung, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm in seiner Eigenschaft als Geschäftsführer oder Abwickler bekanntgeworden ist, unbefugt offenbart.</p> <p>(2) Handelt der Täter gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, so ist die Strafe Freiheitsstrafe bis zu zwei Jahren oder Geldstrafe. Ebenso wird bestraft, wer ein Geheimnis der in Absatz 1 bezeichneten Art, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm unter den Voraussetzungen des Absatzes 1 bekanntgeworden ist, unbefugt verwertet.</p> <p>(3) Die Tat wird nur auf Antrag der Vereinigung verfolgt. Antragsberechtigt sind von den Mitgliedern bestellte besondere Vertreter.</p>
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Act on the participation of employees in a European Company ("SCEBG")

Field of Law: Criminal Law / Context: Labour Law

<p>Sec. 47 SCEBG</p> <p>Penal provisions</p> <p>(1) Whoever</p> <ol style="list-style-type: none"> <li>1. uses a business or trade secret contrary to sec. 43 subsection 2, also in connection with subsection 4, or</li> <li>2. abuses a European Cooperative Society contrary to sec. 45 sentence 1 to withdraw</li> </ol>	<p>§ 47 SCEBG</p> <p>Strafvorschriften</p> <p>(1) Mit Freiheitsstrafe bis zu zwei Jahren oder mit Geldstrafe wird bestraft, wer</p> <ol style="list-style-type: none"> <li>1. entgegen § 43 Abs. 2, auch in Verbindung mit Abs. 4, ein Betriebs- oder Geschäftsgeheimnis verwertet oder</li> </ol>
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<p>employees participation rights or to withhold these, shall be punished by imprisonment of up to two years or by fine.</p> <p>(2) Whoever</p> <ol style="list-style-type: none"> <li>1. discloses a business or trade secret contrary to sec. 43 subsection 2, also in connection with subsection 4,</li> <li>2. impedes, influences or interferes the activities listed in sec. 46 no. 1 or no.2 or</li> <li>3. discriminates or favors a person named in sec. 46 no. 3</li> </ol> <p>shall be punished by imprisonment of up to one year or by fine.</p> <p>(3) If the offender acts in the cases covered by subsection 2 no. 1 for material gain or with the intent of enriching himself or a third person or of harming another person the penalty shall be imprisonment not exceeding two years or a fine.</p> <p>(4) The offence shall only be prosecuted upon request. In the cases covered by subsection 1 no. 2 and subsection 2 no. 2 and no.3 the application shall be submitted by the special negotiating body, the SCE works council, the majority of employee representatives in conjunction with a procedure for the information and consultation, each member of the supervisory or administrative body, a union that represents the company and the management.</p>	<p>2. entgegen § 45 Satz 1 eine Europäische Genossenschaft dazu missbraucht, Arbeitnehmern Beteiligungsrechte zu entziehen oder vorzuenthalten.</p> <p>(2) Mit Freiheitsstrafe bis zu einem Jahr oder mit Geldstrafe wird bestraft, wer</p> <ol style="list-style-type: none"> <li>1. entgegen § 43 Abs. 2, auch in Verbindung mit Abs. 4, ein Betriebs- oder Geschäftsgeheimnis offenbart,</li> <li>2. entgegen § 46 Nr. 1 oder 2 eine dort genannte Tätigkeit behindert, beeinflusst oder stört oder</li> <li>3. entgegen § 46 Nr. 3 eine dort genannte Person benachteiligt oder begünstigt.</li> </ol> <p>(3) Handelt der Täter in den Fällen des Absatzes 2 Nr. 1 gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, so ist die Strafe Freiheitsstrafe bis zu zwei Jahren oder Geldstrafe.</p> <p>(4) Die Tat wird nur auf Antrag verfolgt. In den Fällen des Absatzes 1 Nr. 2 und des Absatzes 2 Nr. 2 und 3 sind das besondere Verhandlungsgremium, der SCE-Betriebsrat, die Mehrheit der Arbeitnehmervertreter im Rahmen eines Verfahrens zur Unterrichtung und Anhörung, jedes Mitglied des Aufsichts- oder Verwaltungsorgans, eine im Unternehmen vertretene Gewerkschaft sowie die Leitungen antragsberechtigt.</p>
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German Act on European Works Councils ("EBRG")

Field of Law: Criminal Law / Context: Labour Law

<p>Sec. 47 EBRG</p> <p>Penal provisions</p> <p>(1) Whoever uses a business or trade secret contrary to sec. 35 subsection 2 sentences 1 or 2, each also in connection with subsection 3, shall be punished by imprisonment of up to two years or by fine.</p> <p>(2) The offence shall only be prosecuted upon request.</p>	<p>§ 43 EBRG</p> <p>Strafvorschriften</p> <p>(1) Mit Freiheitsstrafe bis zu zwei Jahren oder mit Geldstrafe wird bestraft, wer entgegen § 35 Absatz 2 Satz 1 oder 2, jeweils auch in Verbindung mit Absatz 3, ein Betriebs- oder Geschäftsgeheimnis verwertet.</p> <p>(2) Die Tat wird nur auf Antrag verfolgt.</p>
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German Act on Co-determination of Employees ("MgVG")

Field of Law: Criminal Law / Context: Labour Law

<p>Sec. 34 MgVG</p> <p>Penal provisions</p> <p>(1) Whoever uses a business or trade secret contrary to sec. 31 subsection 2, also in connection with subsection 4, shall be punished by imprisonment of up to two years or by fine.</p> <p>(2) Whoever</p> <ol style="list-style-type: none"> <li>1. discloses a business or trade secret contrary to sec. 31 subsection 2, also in connection with subsection 4,</li> <li>2. influences, impedes or interferes the activities listed in sec. 33 no. 1 or no.2 or</li> </ol>	<p>§ 34 MgVG</p> <p>Strafvorschriften</p> <p>(1) Mit Freiheitsstrafe bis zu zwei Jahren oder mit Geldstrafe wird bestraft, wer entgegen § 31 Abs. 2, auch in Verbindung mit Abs. 4, ein Betriebs- oder Geschäftsgeheimnis verwertet.</p> <p>(2) Mit Freiheitsstrafe bis zu einem Jahr oder mit Geldstrafe wird bestraft, wer</p> <ol style="list-style-type: none"> <li>1. entgegen § 31 Abs. 2, auch in Verbindung mit Abs. 4, ein Betriebs- oder Geschäftsgeheimnis offenbart,</li> <li>2. entgegen § 33 Nr. 1 oder 2 eine dort genannte Tätigkeit</li> </ol>
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<p>3. discriminates or favors a person named in sec. 33 no. 3 shall be punished by imprisonment of up to one year or by fine.</p> <p>(3) If the offender acts in the cases covered by subsection 2 no. 1 for material gain or with the intent of enriching himself or a third person or of harming another person the penalty shall be imprisonment not exceeding two years or a fine.</p> <p>(4) The offence shall only be prosecuted upon request. In the cases covered by subsection 2 no. 2 and no. 3 the application shall be submitted by the special negotiating body, each member of the supervisory or administrative body, a union that represents the company and the management.</p>	<p>behindert, beeinflusst oder stört oder</p> <p>3. entgegen § 33 Nr. 3 eine dort genannte Person benachteiligt oder begünstigt.</p> <p>(3) Handelt der Täter in den Fällen des Absatzes 2 Nr. 1 gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, so ist die Strafe Freiheitsstrafe bis zu zwei Jahren oder Geldstrafe.</p> <p>(4) Die Tat wird nur auf Antrag verfolgt. In den Fällen des Absatzes 2 Nr. 2 und 3 sind das besondere Verhandlungsgremium, jedes Mitglied des Aufsichts- oder Verwaltungsorgans, eine im Unternehmen vertretene Gewerkschaft sowie die Leitungen antragsberechtigt.</p>
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German Law Regulating the Profession of Auditors ("WiPrO")

Field of Law: Criminal Law / Context: Company Law

<p>Sec. 133b WiPrO</p> <p>Unauthorized utilization of third-party professional and trade secrets</p> <p>(1) Using a third-party secret in violation of § 66b Section 2 is punishable by imprisonment of up to two years or a punitive fine.</p> <p>(2) The offence shall only be prosecuted upon request.</p>	<p>§ 133b WiPrO</p> <p>Unbefugte Verwertung fremder Betriebs- oder Geschäftsgeheimnisse</p> <p>(1) Mit Freiheitsstrafe bis zu zwei Jahren oder mit Geldstrafe wird bestraft, wer entgegen § 66b Abs. 2 ein fremdes Geheimnis verwertet.</p> <p>(2) Die Tat wird nur auf Antrag verfolgt.</p>
<p>Sec. 133c WiPrO</p>	<p>§ 133c WiPrO</p>

<p>Unauthorized Revealing of Third-party Professional or Trade Secrets</p> <p>(1) Revealing a third-party secret in violation of § 66b Section 2 is punishable by imprisonment of up to one year or a punitive fine.</p> <p>(2) If such offender acted material gain or with the intent to enrich himself or another person or to harm another person, the punishment shall be imprisonment of up to two years or a fine.</p> <p>(3) The offence shall only be prosecuted upon request.</p>	<p>Unbefugte Offenbarung fremder Betriebs- oder Geschäftsgeheimnisse</p> <p>(1) Mit Freiheitsstrafe bis zu einem Jahr oder mit Geldstrafe wird bestraft, wer entgegen § 66b Abs. 2 ein fremdes Geheimnis offenbart.</p> <p>(2) Handelt der Täter gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, ist die Strafe Freiheitsstrafe bis zu zwei Jahren oder Geldstrafe.</p> <p>(3) Die Tat wird nur auf Antrag verfolgt.</p>
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German company disclosure act ("PublG")

Field of Law: Criminal Law / Context: Company Law

<p>Sec 19 PublG</p> <p>Violation of confidentiality</p> <p>(1) Whoever without authorization discloses a secret of the company (executive board, part of senior management), in particular a trade or business secret, which has come to his knowledge in his capacity as auditor pursuant to this act or as assistant of such an auditor, shall be punished by imprisonment of up to one year or by fine.</p> <p>(2) If such offender acted material gain or with the intent to enrich himself or another person or to harm another person, the punishment shall be imprisonment of up to two years or a fine. Whoever unlawfully uses a</p>	<p>§ 19 PublG</p> <p>Verletzung der Geheimhaltungspflicht</p> <p>(1) Mit Freiheitsstrafe bis zu einem Jahr oder mit Geldstrafe wird bestraft, wer ein Geheimnis des Unternehmens (Konzernleitung, Teilkonzernleitung), namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm in seiner Eigenschaft als Prüfer nach diesem Gesetz oder als Gehilfe eines solchen Prüfers bekanntgeworden ist, unbefugt offenbart.</p> <p>(2) Handelt der Täter gegen Entgelt oder in der Absicht, sich oder einen anderen zu bereichern oder einen anderen zu schädigen, so ist die Strafe Freiheitsstrafe bis zu zwei</p>
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<p>secret of the kind specified in subsection 1 in particular a trade or business secret, which he has learned under the circumstances of subsection 1 shall be punished in the same manner.</p> <p>(3) The offence shall be prosecuted only upon application of the company (executive board, part of senior management).</p>	<p>Jahren oder Geldstrafe. Ebenso wird bestraft, wer ein Geheimnis der in Absatz 1 bezeichneten Art, namentlich ein Betriebs- oder Geschäftsgeheimnis, das ihm unter den Voraussetzungen des Absatzes 1 bekanntgeworden ist, unbefugt verwertet.</p> <p>(3) Die Tat wird nur auf Antrag des Unternehmens (Konzernleitung, Teilkonzernleitung) verfolgt.</p>
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b.) Legal definition of "trade secrets"

As the list provided above shows, relevant provisions are scattered throughout German law. Although the provisions concern different areas of law and regulate different aspects the scope of protection is identical. However, the law sometimes uses the term "trade or industrial secret" as well as the term "trade or business secret" to describe trade secrets in general (Betriebs- und Geschäftsgeheimnis), this is just a terminological inconsistency.

German law does not provide any statutory definition of "trade secrets", but it is generally accepted that trade secrets incorporate (1) all information connected to the business which is (2) not public knowledge, (3) shall be expressively kept secret for the purpose of economic interest, whereas (4) the business owner needs to have a legitimate commercial interest in keeping the information secret.

However, German legal terminology formally distinguishes between trade secrets in the stricter sense of the word and business secrets. Whereas trade secrets relate to the commercial section of a business, business secrets relate to the technical section of a business. However, this differentiation does not affect the protection of trade secrets in general, as both types of secrets enjoy the same protection despite their classification as trade or business secret.

As already mentioned, there are four criteria that determine if a secret knowledge can be regarded as a trade secret which shall be explained in more depth hereafter:

(1) Information connected to the business

Firstly only such information is protected which relates to the relevant business, so that only information can be protected which relates to the company's sphere and not solely to the private sphere of the owner or the employees. Equally



information assigned to other companies or the general market can not be considered as trade secrets.

(2) Not public knowledge

Secondly the information must not be public knowledge, so it must not belong to the public domain but only a restricted group of people. The owner of the secret must therefore maintain control over this group of people and ensure that others are excluded from the knowledge. Otherwise the knowledge can not be regarded as secret. The notion of the group of people can not be generally specified as this depends on the relevant circumstances of the individual case. Generally speaking the information cannot be regarded as a trade secret any more when it becomes known to wider circles with the consequence that the secret is lost. Information is part of the public knowledge when the knowledge can be acquired by normal means in a way that the interested average salesman can acquire the information without major difficulties and the aid of honest means.

Passing the information to another party does however not lead to the loss of the secret as long as this party is bound to confidentiality.

(3) Expressively kept secret

Thirdly the owner of the secret must have the intention to keep the specific knowledge as a secret, which distinguishes trade secrets from information that is simply not known. The company owner's will either has to be expressly declared or has to be contained in the nature of the information itself.

(4) Legitimate commercial interest

Lastly the company owner must have a legitimate interest in keeping the information secret, which is the case when the information could have an impact on the competitiveness of the company so that common knowledge of the information could harm the competitor's business or weaken the own one.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for

example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc.) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Not applicable.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Under German law trade secrets are not considered to be intellectual property rights like trademarks, patents etc. As trade secrets are also not recognized as proprietary rights, they are also not legally monopolized as a real IP rights.

Despite this, in practice trade secrets can be exploited by transfer and license contracts similar to intellectual property rights. As there is of course no acknowledged right to transfer, the parties agree on the factual transfer of the knowledge. Still, the main difference between intellectual property rights and trade secrets remains, especially as IP rights are powerful “real” rights whereas trade secrets are not protected as a “right”, merely non-disclosure of the secret is protected.

As trade secrets are not regarded to be intellectual property rights they are consequently not considered to fall under Directive 2004/48/EC.

5. Which different types of trade secrets are recognized in your jurisdiction (e.g. manufacturing technology, commercial know how such as price and customer lists)? How, if at all, are they treated differently by law?

Under German law there is no actual practical differentiation between different types of trade secrets as all secrets such as manufacturing technology, commercial know how etc. are uniformly protected as “trade secrets” and not treated in different ways by the law.

However, as already mentioned above (see A. 2. b.), German legal terminology formally distinguishes between two different terms concerning the protection of *trade secrets*: *trade secrets in the stricter sense of the word* and *business secrets*. Trade secrets in the stricter sense of the word solely refer to commercial knowledge such as customer lists or business planning. Business secrets in contrast refer to technical knowledge such as construction plans. This differentiation however does not affect the protection of trade

secrets in general, as both types of secrets enjoy the same range of protection despite their classification.

Attention is again drawn to the fact that as a trade secrets in the meaning of the law all information is considered that is (1) connected to the business which is (2) not public knowledge, and that (3) shall be expressively kept secret for the purpose of economic interest, whereas (4) the business owner needs to have a legitimate commercial interest in keeping the information secret.

6. What are in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

a.) The main problem regarding the protection of trade secrets under German law is the fact that the provided legal provisions are scattered over different fields of law such as criminal law, competition law and labor law. This leads to two problems:

- Firstly, as there is no separate act on the protection of trade secrets there is no comprehensive regulation and a lack of uniformity within the various provisions. Yet, the term "trade secret" is used consistently within all provisions and is interpreted in the same way.
- Secondly, as the provisions are scattered throughout various fields of law, different courts are responsible for similar cases which leads to an inconsistent legal practice. As there is a strict distinction between civil and criminal law there won't naturally be a completely uniform case-law, but at least the courts responsible for civil law would decide uniformly.
- Thirdly, trade secrets are often regarded as the stepchild of intellectual property as they are not acknowledged as a property right. Considering their immense value for many companies it should be considered to grant trade secrets the protection of an intellectual property right. Hereby it should be taken into consideration that companies could nevertheless hesitate to file a propitiatory right for their trade secret to avoid disclosure of the valuable and often essential secret. Although acknowledging trade secrets as intellectual property rights would grant its owner a powerful and real legal right to fight infringement, keeping the secret disclosed is of course the best protection. The weakness of this merely factual protection is of course that under German law the protection of the trade secret is lost as soon as soon as the secret gets apparent to the public.

b.) The most important provisions on the protection of trade secrets belong to the area of criminal law so the owner of the trade secret has to rely on the criminal investigation

of the public prosecutor in most cases which may take quite a while as acquiring information and evidence himself may be difficult. Therefore it is desirable that the possibilities of obtaining evidence within the civil law suit improve.

c.) A European harmonized and common legislation would without doubt be feasible and positive as a uniform statute would help to achieve a uniform level of protection and would be a chance to create a comprehensive regulation on the protection of trade secrets. In addition to that, a harmonized and common legislation would enable the owner of the secret to achieve an international exploitation of the trade secret. This would be important as trade secrets are a substantial asset of many companies and often even more valuable as an intellectual property right.

d.) Particularly Sec. 17 (1), (2) Act Against Unfair Competition establishes a quite effective protection for trade secrets, so it would be advisable to take a closer look at this provision when establishing a harmonized and common legislation. As already mentioned, trade secrets can be transferred and licensed similar to intellectual property rights. To protect the received secret knowledge, the parties agree on confidentiality agreements to prevent the information from getting known by a third party.

e.) In Germany there are no current proposals for a new legislation concerning the protection of trade secrets. From our point of view it would be desirable to strengthen the secret owner's position in terms of civil procedural law, particularly regarding obtaining evidence to ensure swift law enforcement.

7. For your jurisdiction please provide of list a leading case law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

German law primarily relies on codified law and not so much on case law, so the wording of the law of the provisions provided above (see A. 2. a.) should presumably give the best overview.

Although there is some leading case-law that should help to give an even better overview:

1. German Federal Court of Justice (BGH), decision of 1 July 1960, I ZR 72/59 – "Wurftaubenpresse"

In this basic decision the court ruled that the claimant who is filing a claim against somebody who unlawfully obtained a trade secret only has to disclose the secret in his application thus far, as it is absolutely necessary for the court to determine the extent of the lawsuit.

2. German Federal Court of Justice (BGH), decision of 19 November 1982, I ZR 99/80 – “Stapelautomat”

This case concerns the unlawful use of trade secrets by a former sales manager who obtained the information by copying construction plans at the end of his employment term. After the termination of his employment he started his own company and used the the secrets he had obtained during his employment term to produce automation devices. The Federal Court of Justice ruled that the former employee had to stop the business activity. The court came to this conclusion because copying construction plans during the employment for the sole purpose of using them for the effort of a competing company is unlawful

3. Bavarian Higher Regional Court (BayOLG), decision of 28 August 1990, RReg. 4 St 250/89596 – “Geldspielautomat”

This case concerns reverse engineering and especially the question if the program of a gambling machine could be regarded a trade secret although its workings could be reengineered simply by investing 70 hours of work and about € 2500. The court ruled that the program indeed had to be regarded a secret despite the possibility to disclose the secret by a quite simple method.

4. German Federal Court of Justice (BGH), decision of 3 May 2001, I ZR 153/99 – “Spritzgießwerkzeuge”

This case again concerns the usage of trade secrets by a former employee. The employee had obtained the secrets during his employment term at the company which owned the secrets and used this knowledge in a modified way to produce complicated devices. In this decision the court affirmed that the usage of secrets is unlawful although it is used in a modified way, as long as the final result contain the fundamental idea elements of the original secret which the employee didn't acquire himself in a lawful way. The court also affirmed that the knowledge a former employee simply happened to memorize in his head during his usual work can't be regarded as misappropriation of a trade secret.

5. German Federal Court of Justice (BGH), decision of 7 November 2002, I ZR 64/00 – “Präzisionsmessgeräte”

In this case the court came to the conclusion that the prohibition to used unlawfully obtained trade secrets is generally not time-limited even though six years had passed since the misappropriation of the trade secret.

6. German Federal Court of Justice (BGH), decision of 27 April 2006 - I ZR 126/03 – “Kundendatenprogramm”

In this decision the court ruled that the use of customer lists which an employee had obtained in the regular course of his former employment is illegal if he acquired this knowledge from private documents he legitimately created some time ago during the course of his work and in full accordance with the obligations at that time.

7. German Federal Court of Justice (BGH), decision of 13 December 2007 - I ZR 71/05 – “Schweißmodulgenerator”

In this case the court came to the conclusion that plans of electronic devices can be considered as a trade secret although they belong to the state of the art known at that time. The Court's reasoning for its finding is that the state of art includes a large amount of unsorted information that can only be used with huge effort. So in contrast to patents, the protection of trade secrets is not necessarily depending on the concept of the state of the art.

8. German Federal Court of Justice (BGH), decision of 26 February 2009 - I ZR 28/06 – “Versicherungsuntervertreter”

In this case the court ruled that a former employee, in this case an insurance salesman, is not allowed to use such customer information that is considered a trade secret after the termination of the agency contract even though he had acquired the clients himself.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

a) Mayer, Geschäfts- und Betriebsgeheimnis oder Geheimniskrämerei? (Trade secrets or secretiveness?), GRUR 2011, 884 et seq.

This article summarizes the requirements and the scope of protection of Sec. 17 Act Against Unfair Competition, which is the most important provision concerning the protection of trade secrets under German law. The author therefore describes the constituent elements of the provision and comments on the most relevant aspects and problems in regard to Sec. 17 Act Against Unfair Competition.

b) McGuire/Joachim/Künzel/Weber, Der Schutz von Geschäftsgeheimnissen durch Rechte des Geistigen Eigentums und durch das Recht des unlauteren Wettbewerbs (Protection of trade secrets through IPR and unfair competition law), Q215, GRUR Int 2010, 829 et seq.; the English version of the study can be found online: [https://www.aippi.org/download/committees/215/GR215germany\\_en.pdf](https://www.aippi.org/download/committees/215/GR215germany_en.pdf).

The study of the working committee on the protection of trade secrets through IPR and Unfair Competition Law provides a good overview over the protection of trade secrets under German law in general and also discusses many relevant specific problems in-depth such as the effectiveness of non-disclosure agreements or various procedural problems.

c) Müller-Stoy, Durchsetzung des Besichtigungsanspruchs, GRUR-RR 2009, 161 et seq.

In this article the author discusses the so-called "Düsseldorfer procedure" (see below B. 4. e.) which is a procedure to secure evidence and at the same time ensure confidentiality within the procedure in law suits regarding the infringement of a trade secret.

d) Brammsen, Wirtschaftsgeheimnisse als Verfassungseigentum (Trade secrets as proprietary rights under the Basic Constitutional Law), DÖV 2007, 10 et seq.

This article concerns the question if commercial secrets, especially trade secrets can be qualified as proprietary right in the meaning of Article 14 Basic Constitutional Law (Grundgesetz) and discusses the constitutional protections of commercial secrets in general.

e) Ann, Know-how – Stiefkind des Geistigen Eigentums? (Know-how – The stepchild of intellectual property?), GRUR 2007, 39 et seq.

German legal terminology is quite unclear in term of the definition of "know-how". Sometimes it is regarded to be just a trade secret sometimes to be more than that. This article however analyzes how know-how is protected under German law especially under the aspect of civil law.

f) Bornkamm, Der Schutz vertraulicher Informationen zur Durchsetzung von Rechten des geistigen Eigentums - In-camera-Verfahren im Zivilprozess? (The protection of confidential information regarding the enforcement of intellectual property rights – In-camera proceedings in German Procedural Law) in: Festschrift Ullmann, 2006, P. 893 et seq.

The author deals with the procedural aspects of the protection of confidential information as part of the enforcement of intellectual property. In his introduction he sets out the legal developments in the European Union whereby the holder of an intellectual property

right can demand evidence from the opposing party and compares this legislation with the legislature in Germany. Subsequently the author considers the question how the courts can ensure the protection of confidential information and at least considers the possibility of in-camera proceedings.

g) Kiethe/Hohmann, Der strafrechtliche Schutz von Geschäfts- und Betriebsgeheimnissen (The protection of trade secrets under criminal law), NStZ 2006, 185 et seq.

In this paper the author describes the protection of trade secrets under criminal law and explains the most relevant provisions and its elements. Furthermore the author points out the importance of the protection of trade secrets as German companies suffer billions of euros of damage every year as a result of industrial espionage.

h) Mautz/Löblich, Nachvertraglicher Verrat von Betriebs- und Geschäftsgeheimnissen (Post-contractual disclosure of trade secrets), MDR 2000, 67 et seq.

This article provides an overview over the legal protection of trade secrets regarding the violation through former employees involving problems of the procedural enforcement.

i) Rützel, Illegale Unternehmensgeheimnisse? (Illegal trade secrets?), GRUR 1995, 557 et seq.

The author considers the question of whether illegal secrets should be regarded as trade secrets or if only secrets that coincide with the law should be protected by the law. In his explanations he takes many provisions into consideration which serve the protection of trade secrets, such as Sec. 17 Act Against Unfair Competition or Sec. 203 German Criminal Code.

## B. LITIGATION

1. What elements must be established in order to commence legal proceedings for unauthorized use, unauthorized disclosure, misappropriation, or any form of trade secret infringement.

The elements that must be established in order to commence legal proceedings for any form of trade secret infringement differ whether it is a civil or a criminal procedure.

a.) The key elements to commence a civil law proceeding are:

(1) Competent court for the appointment: The question which court can claim local jurisdiction is determined by either the defendant's domicile or the place where the relevant activity (e.g. misappropriation or disclosure of the trade



secret) took place. Between those two courts of jurisdiction the claimant can choose where to file the law suit.

(2) Application and giving of evidence: When filing the application the claimant has to be aware of the fact that the matter in dispute has to be precisely specified in a way that the trade secret at issue can be identified. Furthermore the claimant has to state and perhaps prove all substantive requirements that determine the trade secret infringement which can be quite difficult. To prove the necessary circumstances German (case) law provides some relief for the claimant as he can rely on some legal assumptions such as prima facie evidence that may assist him in protecting his trade secret.

In addition, the claimant can often force the defendant to let him review certain products or documents to determine if the defendant infringed the claimant's trade secret or not. Such entitlements can especially result from Sec. 809 Civil Law Code as well as Sec. 142 Code of Civil Procedure. Under certain circumstances the defendant is also obliged to provide relevant information under the aspect of good faith (Sec. 242 Civil Law Code).

(3) Preliminary injunction: The claimant often may want to apply for preliminary injunction as the principal proceedings could come to a result too late to serve as an effective protection of the trade secret. The major advantage of preliminary injunctions is that this type of procedure is very swift as there is no oral hearing. In addition to that, the plaintiff does not need to supply full proof but only prima facie evidence in order to demonstrate the likelihood of the infringement. The downside certainly is that Sec. 945 Code of Civil Procedure stipulates a strict liability regardless of fault or other so that the defendant could claim damages if the injunction proves to have been unfounded from the start.

b.) In contrast to this, the key elements to commence criminal law proceedings differ:

Criminal law proceedings are most often initiated by a complaint that is filed with the prosecuting authorities. The person who made the complaint generally does not have to provide all-embracing information as the prosecuting authorities have the obligation to gather evidence themselves during the preliminary proceedings. Naturally the authorities have much more extensive and effective possibilities to gain necessary information and evidence as the claimant would have.

For the claimant it is a huge advantage that he can use the results of the authority's investigations in the civil proceeding as the injured party in most case has the right to access the files in accordance with Sec. 406e German Code of Criminal Procedure. As the claimant has to provide evidence within the civil law suit the possibility to access the files will often make it much easier for the

claimant to acquire the necessary evidence – especially if the owner only suspects the infringement but has no sound arguments. In this case it will often help to file a complaint expecting that the prosecuting authorities will be able to obtain evidence.

However a claimant who solely relies on the authorities to investigate all the evidence has to take into consideration that this could use quite a while so he will maybe not be able to enforce his claim in time.

## 2. What civil remedies are made available? Are the remedies cumulative?

The following civil remedies are available in a law suit against a trade secret infringement and can be filed cumulative:

- Cease-and-desist orders
- Claims for injunction
- Claims to render account of profits for the purpose of calculating damages
- Claims for damages
- Claims to hand back or destroy the protected information

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and the files containing such data? [in civil proceedings]

As already mentioned above (see B. 1. b.) the easiest and most effective way to obtain information and evidence on a trade secret infringement is through a criminal proceeding as that evidence gained by the authorities can also be used in a civil law suit.

But also in a civil law suit it is possible to obtain evidence by accessing the product or documents that may reveal the infringement as long as there is a significant likelihood that the defendant infringed the trade secret. As briefly mentioned, those entitlements can especially result from Sec. 809 Civil Law Code as well as Sec. 142 Code of Civil Procedure.

According to Sec. 809 Civil Law Code a party who has a claim in respect of a thing against its possessor or wishes to obtain certainty as to whether he has such a claim may demand that the possessor presents the thing to him for inspection or permits inspection. According to Sec. 142 Code of Civil Procedure the court may direct one of the parties to present records or documents, as well as any other material, that are in its possession and to which one of the parties has made reference.

Furthermore, under certain circumstances the defendant is also obliged to provide relevant information under the aspect of good faith (Sec. 242 Civil Law Code).

However in many cases getting sufficient information and proof nevertheless won't be easy because the burden to prove the likelihood of the infringement is high so that the claimant needs to provide enough information that lead to the conclusion that it is very likely that the infringement was committed by the defendant.

4. In civil law proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions expedite action or merits – cease and desist actions?

Basically there are two forms of interim relief available: cease-and-desists orders and preliminary injunctions:

Preliminary injunctions are very common in the area of the infringement of trade secrets as in the whole area of intellectual property. The court issues an injunction, if the plaintiff can provide enough information and evidence that allows to attribute a high likelihood of an infringement.

Although preliminary injunctions are generally available some claims are excluded as preliminary injunctions are not available for claims that would lead to an irreversible situation, so the destruction of goods etc. (however, the court could order the handover of the goods to a bailiff). Therefore, according to Sec. 935 Code of Civil Procedure preliminary injunctions are only an available remedy given the concern that a change of the status quo might frustrate the realization of the right enjoyed by a party, or might make its realization significantly more difficult. Consequently preliminary injunctions are only available for cease-and-desist claims as well as injunction claims, whereas damage claims and or claims for information cannot be asserted.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Injunctions are generally not time limited as trade secrets are not limited due to its nature. However if it is foreseeable that the secret will cease to exist at a later point of time the court needs to take that into consideration and impose a time-limited injunction.

If the injunction is imposed without a time-limitation but at a later point the trade secret ceases to be protected because it was disclosed to the public, the injunction however is still valid. The defendant, though, can seek to lift the judgment using the usual procedural measures.

The preliminary injunctions generally do not need to be confirmed through an ordinary proceeding, but upon application of the defendant the court has to order the principal proceeding which is an ordinary proceeding (Sec. 935, 926 Code of Civil Procedure). However, in practice the claimant will often try to encourage the defendant to agree on a final dispute resolution ("Abschlussklärung") in by which the defendant accepts the injunction as a final decision which constitutes a waiver of any right to further appeal with the effect that lawsuit is settled on basis of the decision of the preliminary injunction procedure.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgement?

(1) Duration of the proceeding

Assuming this question also only relates to *preliminary junctions*, those proceedings are very swift as a decision is normally issued within one week or sometimes even days given that there is no oral hearing, but it can also take 2-6 weeks, if the defendant objects to the decision so an oral hearing needs to be scheduled. The duration of an appeal within the preliminary junction procedures however takes longer, in most cases 2-4 months.

Assuming this question also relates to *main proceedings*, those proceedings may take about 9-18 months from filing the claim to the decision in the first instance. The duration mainly varies due to the question which and how many evidence has to be taken. The duration of an appeal can vary between 1-2 years depending which court has to decide.

As mentioned above, many proceedings start with a criminal charge against the defendant, as the owner of the secret can benefit from the evidence taken by the public prosecution. As those investigations will take several months this amount of time has to be added.

(2) Costs of the proceeding

The costs of the proceeding vary from case to case, of course. Under German procedural law the costs depend on the value of the claim which is mainly determined by the commercial interest. In typical cases the value of a claim accounts from about € 100.000,00 to € 250.000,00 in case of a claim for injunction but can also be significantly higher depending on the actual value of the claim. On basis of the above mentioned typical case, trial costs amount from about € 2.500,00 to € 5.000,00 for the first instance. Statutory attorney fees not included, which amount from about € 4.000,00 to € 6.000,00 for each party in the first instance.

The court costs, statutory lawyer's fees and any other expenses incurred by the prevailing party will normally be borne by the non-prevailing party.

(d) Are cases involving technical trade secrets heard by specialist judges?

Judges deciding cases regarding infringements of trade secrets especially technical trade secrets do not have any special technical knowledge.

However, each federal state in Germany is entitled to designate a court as the court with exclusive local jurisdiction for all issues concerning unfair competition law within the federal state with the effect, that all claims are concentrated at this or those courts. Besides, in terms of functional jurisdiction, the parties can request the Chamber for Commercial Affairs of the competent court to decide the matter as the judges are experts in commercial matters like unfair competition law (Sec. 13 Act Against Unfair Competition, Sec 95 (1) No. 5 Courts Constitution Act).

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to proof their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets and discovery and seizure actions)?

Whilst the parties have to proof their claims and file the documents evidencing their claims this does not mean that other parties can get notice of those applications because according to German procedural law the written submissions are only disclosed to the judge and the opposing party.

In terms of the oral hearing the parties can apply for excluding the public which requires that the parties' interests in keeping the secret disclosed is overriding which is typically the case (Sec. 172 lit. 2 Courts Constitution Act) if a trade secret would have to be revealed and if it would violate the claimant's legitimate interests if the secret would be known to the public.

Also witnesses are protected as they do not need to answer any question that would cause the disclosure of the trade secret (Sec. 384 lit. 3 Code of Civil Procedure).

However, in-camera procedures which would allow excluding the opponent party from the presentation of facts are not provided by German law especially since such a confidential procedure would impair the other party's constitutional right to be heard.

Nevertheless, legal practice developed the so-called "Düsseldorfer Procedure" (Düsseldorfer Praxis) which is widely accepted as it allows securing evidence swiftly and at the same time ensures that the confidentiality is preserved. Within this procedure the court orders independent proceedings for the preservation of evidence as an interim

injunction which handed to the defendant together with statement of claim so there is no chance to destroy evidence. At the same time only an authorized expert is allowed to inspect the evidence who is bound to confidentiality as well as the attorneys so that the parties themselves do not get notice of the trade secrets during this procedure.

Although this procedure was originally developed for patent law claims, it is discussed to transfer this type of procedure also to cases concerning the infringement of trade secrets. Even though there is no final case law to this question, the principles seem adoptable since the situation is very similar.

(f) Approximately how many trade secrets are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc.)? What is the average output of trade secrets actions heard by the civil courts in your jurisdiction?

This question can hardly be answered as it is quite impossible to estimate the approximate number of trade secret cases the courts have to decide, especially since there is no public register that records the number of cases concerning the infringement of trade secrets. Perhaps some courts might have such a register for internal use.

From our own practice we can say that there are much less cases concerning trade secrets than cases concerning "classic" intellectually rights such as patents, trademarks etc.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

The main issue that makes the enforcement of trade secrets difficult is the fact that the claimant has to obtain all necessary evidence which is in most cases quite difficult as German procedural law does not offer practical ways to obtain evidence from the opposite party. This is why in most cases the plaintiff starts to file a complaint against the person who infringed the trade secret in order to benefit from the criminal investigations which he can completely use within the civil law suit. Although, public investigations can take some time as the claimant has no influence on the public prosecution.

5. What defences are available to the defendant in a trade secret action?

The defendant will often argue that the information at issue cannot be regarded a trade secret and contend that one of the four requirements an information has to fulfill in order to gain protection as a trade secret is missing. As described above in detail (see A. 2.

b.), the four criteria are: relation to the business, not public knowledge, noticeable intention to keep the knowledge secret and a legitimate commercial interest.

The defendant will usually also contest that he misappropriated the trade secret in a way that is considered unlawful in the meaning of the law as German law only regards specific actions of gaining the information as illegal.

Another defense strategy is to argue that the defendant developed the secret autonomously on his own or that he acquired the information in a lawful way. At least the last strategy can be successful as an employee is generally allowed to use information that he gained during the regular course of his work as long as he can recall the information without using documents etc. Also information acquired by reengineering a product is considered legal as long as only minimal effort was necessary to gain the knowledge.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

As mentioned above (A. 2. b.) there are several criteria that determine whether a commercial secret can be regarded a trade secret that is protected by the law which are briefly speaking: relation to the business, not public knowledge, noticeable intention to keep the knowledge secret and a legitimate commercial interest.

However in practice the most important requisite is perhaps the question if the secret is not known to public knowledge as this often is quite difficult to determine because special expert knowledge is required.

To proof the existence of these conditions the owner of the secret can make use of all admissible means of evidence, e.g. witnesses and documentation which also are also the most important once in trade secret cases.

7. As to award of damages:

(a) What are the available options?

There are three different types of damages available that are common in the law of intellectual property rights:

- Actual damages
- Recovery of the infringer's profit
- License analogy

(b) What are the criteria to determine and calculate damages?

- Actual damages: If the plaintiff chooses to calculate damages on the bases of his actual damage including lost profits, he has to quantify the damage he suffered from the infringement of his trade secret.
- Recovery of the infringer's profit: The claimant can also choose to recover the infringer's profit which requires that the plaintiff can propound that the defendant made any profits by using the trade secret for his commercial purposes. Pursuant to Sec 287 Code of Civil Procedure the court can then estimate the profits on basis of the individual circumstances of the case.
- License analogy: The claimant can also calculate the damages on basis of a license analogy which means that the plaintiff can claim the appropriate amount of money, a licensee would have had to pay in order to legitimate license the trade secret.

(c) Are punitive damages available for breach of trade secrets?

German law does not allow claiming punitive damages as common in Anglo-American law. The German law on damages is based on the compensation principle which means that it is only allowed to claim the damage that was caused by the infringement. Punitive damages are not allowed under civil law at all. However, despite civil law claims the infringer can of course be held criminally responsible by the public prosecution which can result in financial penalty or prison sentence.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

Under German law it is not possible to estimate the average quantity of awarded damages, as the concrete amount of damages completely depends on the damage suffered by the owner. As mentioned, German Civil Law only allows claiming compensation for the damage caused by the infringement but does not admit punitive damages. As the value of trade secrets will widely differ depending from the nature of the secret, its commercial use and other circumstances of the individual case, even an approximate value cannot be provided.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non-disclosure agreements, licenses, other contractual instruments) from the trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Under German law, trade secret violations can result in contractual as well as non-contractual claims, however this does not have any impact on the available remedies.



Contractual claims would for example result from breach of contract in case the defendant infringed a license agreement or a non-disclosure agreement whereas non-contractual claims for example result from misappropriating the secret by industrial espionage. Yet, under a dogmatic point of view, infringements of trade secrets will often result in contractual and non-contractual claims at the same time.

In context of this question, Sec. 17 Act Against Unfair Competition shall be mentioned as this provision explicitly distinguishes between trade secrets misappropriated by an employee (para. 1) or a third party by using industrial espionage (para. 2) but this differentiation does only concern criminal liability.

9. Are the remedies identified in your jurisdiction also enforceable against:

(a) A person who obtains secrets in good faith? and/or

Generally the remedies are also enforceable against a person who obtained the secret in good faith.

German law does not distinguish between secrets obtained in good or bad faith. The only statutory differentiation concerns the question if the secret was obtained during the employment or by means of industrial espionage (Sec. 17 (1), (2) Act Against Unfair Competition). As Sec. 17 Act Against Unfair Competition is a criminal sanction it however may only be imposed on persons acting with intent. Yet, this does not necessarily mean that persons who obtained the secret in good faith do not act with intent. Moreover, Sec. 17 (1) Act Against Unfair Competition concerns precisely the case where the trade secret is entrusted to an employee who then passes the secret on to a third party without being authorized.

Furthermore also a third party who obtains the secret in good faith e.g. by a reputed owner can be held liable for omission but not for damages as this requires culpability. If the third party however continues to use the misappropriated information after being informed by the rightful owner, the party also acts culpable as the party cannot rely on the good faith any more.

(b) A person who autonomously developed the same information?

If a person autonomously developed the same information, this action is not regarded as an infringement of a trade secret as the person did not obtain the secret in an unlawful way. Instead both secrets are protected, each in favor of its owner.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(a) While the employee is still employed

While the employee is still employed, disclosure and misuse of the information is chargeable as to Sec. 17 (1) Act Against Unfair Competition. Furthermore the duty to non-disclosure is a accessory contractual obligation. Although in practice often declaratory non-disclosure agreements are agreed upon.

(b) Once the employee has left his employment

Sec. 17 (1) Act Against Unfair Competition is not applicable any more, but misusing the secret nonetheless can be chargeable as to Sec. 17 (2) Act Against Unfair Competition if the employee obtained the secret by one of the listed actions.

However, after the termination of the employment the general rule is that the former employee is free to use the knowledge that he or she gained in the course of the employment for his own purpose. This however only applies to information that happened to be memorized, as the employee may not intentionally memorize trade secrets or even use information fixed on paper or other data.

In some fields of law there are also special statutory provisions like Sec. 90 Commercial Code which stipulates that commercial agents, who are not regarded as employees, may generally not exploit or pass forward trade secrets they obtained during their work period for a certain company.

Often also post-contractual non-compete clauses can be found within the employment agreement to prevent the former employee from establishing a competitive business activity. According Sec. 110 Industrial Code in conjunction with 74-75 Commercial Code those clauses are only valid for two years and it is required that the former employee receives an adequate monetary compensation.

Besides that, under certain circumstances a post-contractual fiduciary duty can result directly from Sec. 242 German Civil Code which prevents the former employee from disclosing legally acquired secrets or setting up a competitive business for a certain amount of time.

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Provided below is a typical contractual clause concerning confidentiality and non-competition obligation that can be similarly found in many employment agreements. According to current jurisdiction the clause is fully enforceable.

Example:

The clauses quoted below can be found in the handbook *Walz, Beck'sches Formularhandbuch Zivil-, Wirtschafts- und Unternehmensrecht, Deutsch-Englisch, 2nd Edition 2010, Section E: Arbeitsrecht, Number 1: Arbeitsvertrag – Employment Agreement.*

<p>§ 10 Confidentiality and Return of Documents</p>	<p>§ 10 Geheimhaltung und Rückgabe von Unterlagen</p>
<p><u>(1) During and after the term of this Employment Agreement, the Employee shall treat as strictly confidential all confidential matters and trade and business secrets of the Employer and all Affiliated Companies, of which he/she obtains knowledge during the exercise of his/her duties for the Employer (including procedures, data, know-how, marketing plans, business planning, unpublished balance sheets, budgets, licenses, pricing, costs and customer and supplier lists) or which are designated as confidential by the Employer.</u></p>	<p>(1) Der Arbeitnehmer ist verpflichtet, insbesondere auch während der Zeit nach Beendigung dieses Arbeitsvertrages alle vertraulichen Angelegenheiten, Betriebs- und Geschäftsgeheimnisse des Arbeitgebers und verbundener Unternehmen, welche ihm bei Ausübung seiner Tätigkeiten für den Arbeitgeber zur Kenntnis gelangen (insbesondere Verfahren, Daten, Know-how, Marketing-Pläne, Geschäftsplanungen, unveröffentlichte Bilanzen, Budgets, Lizenzen, Preise, Kosten und Kunden- und Lieferantenlisten) oder die vom Arbeitgeber als vertraulich bezeichnet werden, streng geheim zu halten.</p>
<p>(2) The Employee shall, upon termination of the employment or in the event of the Employee being released from his/her duties, without being asked, and during the existence of his/her employment, upon request, return to the Employer all documents and data carriers in his/her possession which relate to the Employer or to any Affiliated Company including notes, reports, memoranda, records, files, drawings, protocols and other similar documents (as well as copies or other reproductions thereof).</p>	<p>(2) Bei Beendigung des Arbeitsverhältnisses oder bei Freistellung wird der Arbeitnehmer dem Arbeitgeber unaufgefordert, während des Bestehens seines Arbeitsverhältnisses auf Anforderung, alle in seinem Besitz befindlichen, den Arbeitgeber oder die verbundenen Unternehmen betreffenden Unterlagen und Datenträger, insbesondere alle Notizen, Berichte, Memoranden, Aufzeichnungen, Akten, Zeichnungen, Protokolle und andere ähnliche Dokumente (sowie Kopien oder sonstige Reproduktionen hiervon) zurückgeben.</p>
<p>(3) The Employee acknowledges that the</p>	<p>(3) Der Arbeitnehmer erkennt an, dass</p>

<p>documents referred to above are the sole property of the Employer or any Affiliated Company. The Employee has no right of retention regarding these documents.</p>	<p>die vorgenannten Unterlagen alleiniges Eigentum des Arbeitgebers oder der Verbundenen Unternehmen sind. Der Arbeitnehmer hat an den genannten Unterlagen kein Zurückbehaltungsrecht.</p>
<p>(4) Any publications and lectures of the Employee during the term of the employment require the prior consent of the Employer in so far as such publications and lectures concern the branch, products or services of the Employer. The Employer shall grant such consent if no information required to be kept confidential as described in para. (1) will be disclosed, and no other interests of the Employer which deserve protection are disregarded. (alternatively: The Employee may give professional lectures and publish under his/her own name. The confidentiality obligation pursuant to para. (1) remains unaffected.)</p>	<p>(4) Veröffentlichungen und Vorträge des Arbeitnehmers während der Dauer des Arbeitsverhältnisses bedürfen der vorherigen Zustimmung des Arbeitgebers, soweit diese die Branche, Erzeugnisse oder Dienstleistungen des Arbeitgebers betreffen. Die Zustimmung ist zu erteilen, wenn keine gemäß Absatz (1) geheimhaltungsbedürftigen Tatsachen mitgeteilt und auch ansonsten keine schützenswerten Interessen des Arbeitgebers verletzt werden. (alternativ: Dem Arbeitnehmer ist es gestattet, Fachvorträge zu halten oder unter eigenem Namen zu veröffentlichen. Die Verschwiegenheitspflicht gemäß Absatz (1) bleibt unberührt.)</p>

<p>§ 13 Non-Competition Obligation</p>	<p>§ 13 Wettbewerbsverbot</p>
<p>(1) The Employee may not, for a period of ... (up to 24 months) subsequent to the termination of the employment, directly or indirectly, with or without remuneration, render services for a competing enterprise either as managing director, employee, or consultant, which are essentially similar to the services which the Employee has rendered to the Employer during the 24 months prior to the termination of the employment. The Employee may not establish any participation in a competing enterprise either, if such participation exceeds 5% of the capital of such enterprise or enter</p>	<p>(1) Der Arbeitnehmer verpflichtet sich, nach Beendigung des Arbeitsverhältnisses für die Dauer von ... (bis zu 24 Monaten), weder unmittelbar noch mittelbar, entgeltlich oder unentgeltlich für ein Konkurrenzunternehmen als Geschäftsführer, Arbeitnehmer oder als Berater eine Tätigkeit auszuüben, die im Wesentlichen der Tätigkeit entspricht, die der Arbeitnehmer in den letzten 24 Monaten vor Beendigung des Arbeitsverhältnisses für den Arbeitgeber ausgeübt hat. Der Arbeitnehmer wird sich auch nicht an einem</p>

<p>into competition with the Employer as being self-employed. Competing enterprises are considered those which compete with the Employer, including ... (list of enterprises).</p>	<p>Konkurrenzunternehmen mit mehr als 5% des Kapitals eines solchen Unternehmens beteiligen oder selbständig in Wettbewerb zum Arbeitgeber treten. Als Konkurrenzunternehmen gelten solche Unternehmen, die mit dem Arbeitgeber in Wettbewerb stehen, insbesondere ... (Auflistung der Unternehmen).</p>
<p>(2) The non-competition obligation is valid for ... (detailed description of territory).</p>	<p>(2) Das Wettbewerbsverbot gilt für ... (genaue Beschreibung der räumlichen Gebiete).</p>
<p>(3) During the period of time following the termination of the employment in which the non-competition obligation is applicable, the Employer shall pay to the Employee a compensation in the amount of half of the last Employee's contractual remuneration. In addition, the statutory legal provisions including secs. 74 et seq. HGB (German Commercial Code) shall apply.</p>	<p>(3) Für die Dauer des nachvertraglichen Wettbewerbsverbots verpflichtet sich der Arbeitgeber, eine Entschädigung in Höhe der Hälfte der vom Arbeitnehmer zuletzt bezogenen vertragsmäßigen Leistungen zu zahlen. Im übrigen gelten die gesetzlichen Vorschriften, insbesondere §§ 74 ff. HGB.</p>
<p>(4) For each single negligent violation of the non-competition obligation set forth in para. (1), the Employer may claim from the Employee the payment of a contractual penalty the amount of which shall be equal to ... gross monthly salaries. In the event of one or more negligent violations being continued a contractual penalty equal to the amount of ... gross monthly salaries shall be due for each beginning calendar month. Participating in the equity of a competing enterprise or entering into a continuing agreement (including an employment, service or consultancy agreement) being prohibited by the non-competition obligation, shall be deemed to be such a continued violation. By the payment of the contractual penalty becoming due for</p>	<p>(4) Für jeden einzelnen schuldhaften Verstoß gegen das in Abs. (1) vereinbarte Wettbewerbsverbot kann der Arbeitgeber vom Arbeitnehmer eine Vertragsstrafe in Höhe von ... Brutto-Monatsgehältern verlangen. Bei einer oder mehreren schuldhaft begangenen Dauerverletzung/en, wird für jeden angefangenen Kalendermonat, in dem eine oder mehrere Dauerverletzung/en besteht/bestehen, eine Vertragsstrafe von ... Brutto-Monatsgehältern verwirkt. Eine Dauerverletzung liegt vor, wenn die Verletzungshandlung in einer kapitalmäßigen Beteiligung an einem Konkurrenzunternehmen oder in der verbotswidrigen Eingehung eines Dauerschuldverhältnisses (insbesondere Arbeits-, Dienst- oder Beraterverhältnis)</p>

<p>one or more continuing violation/s, all other single violations which occurred during the period of such continuing violation/s shall be regarded as compensated. Gross monthly salary shall mean the last monthly gross salary due (sec. 3 para. (1)). Other possible claims of the Employer remain unaffected including the right to request the abandonment of future violating acts or claims for damages exceeding the amount of the contractual penalty.</p>	<p>besteht. Mit der Vertragsstrafe für eine oder mehrere Dauerverletzung/en sind alle einzelnen Verstöße, die während der Dauerverletzung/en begangen werden, abgegolten. Als Brutto-Monatsgehalt gilt das letzte monatlich geschuldete Bruttogehalt (§ 3 Abs. (1)). Etwaige weitere Ansprüche des Arbeitgebers, insbesondere der Anspruch auf Unterlassung und auf Geltendmachung eines über den Betrag der Vertragsstrafe hinaus gehenden Schadens, bleiben unberührt.</p>
<p>(5) The non-competition obligation set forth in para. (1) shall not apply if the employment is not continued after the probationary period set forth in sec. 12 para. (1) or if the employment terminates due to the Employee becoming entitled to a regular pension pursuant to sec. 12 para. (6).</p>	<p>(5) Das in Abs. (1) bezeichnete Wettbewerbsverbot gilt nicht, wenn das Arbeitsverhältnis nicht über die in § 12 Abs. (1) vereinbarte Probezeit hinaus fortgesetzt wird oder wenn das Arbeitsverhältnis wegen Erreichen des Anspruchs auf Regelaltersrente gemäß § 12 Abs. (6) endet.</p>

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

Under German law there is no choice whether to file a claim under criminal or civil law. Although criminal offences often also result in civil law claims, the claims nevertheless belong to the area of civil law and not criminal law. Consequently pros and cons cannot be highlighted.

In this context it is important to point out that civil law and criminal law serve two totally different purposes that may not be mixed: While civil law in this context functions as an enforcement of injunctive reliefs or damage claims, criminal law serves as a punishment for criminal offenses that are prosecuted by the authorities.

Between both fields of law there is only one intersection which shall be brought up: As already mentioned above (see B. 1. b.) the claimant can use the results the authorities acquired during their criminal investigations in the civil proceeding which will often help to provide the necessary evidence in the civil law suit.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

In practice companies often protect their trade secrets with non-disclosure agreements and license the knowledge for the purpose of use. Those agreements are enforceable as contractual law due to the private autonomy and amend the existing statutory provisions.

13. With regards to non disclosure and non use agreements:

(a) Are they effective and enforceable in your jurisdiction?

As just mentioned those agreements are effective and enforceable as private autonomy generally allows the parties to conclude any agreement if those agreements stay within the provisions of the law.

(b) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Enforcement is provided by contract law but also various other statutory provisions will often also apply and complete the protection of the trade secret.

(c) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

The US doctrine of inevitable disclosure does not exist in our jurisdiction and there are also no similar provisions that embrace this scope of protection.

The doctrine essentially says that an employee may not switch to a new employer, if he would be engaged in the same industry as his former employer and if the nature of the new job would inevitably lead to the disclosure of confidential information.

Since German statutory law does – at least in general – not provide post-contractual non-competition obligations for employees, such obligations can only result from an agreement between the former employee and the former employer. According Sec. 110 Industrial Code in conjunction with 74-75 Commercial Code those agreements are valid, but only for a period of two years and under the condition that the former employee receives an adequate monetary compensation.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

(a) Place where trade secrets are created/conceived, and/or

(b) Place where misappropriation of trade secrets takes place, and/or

(c) Place where unlawful use of trade secrets takes place, and/or

(d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in a jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

To answer the complex question it has to be differentiated if the foreign jurisdiction involved is a European or non-European jurisdiction.

#### a) Within Europe

Within Europe it is crucial, if the foreign jurisdiction involved is part of the European Union or not.

##### aa) Within the European Union

Within the European Union the judicial competence is determined by Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("EUGVVO"). Despite Sec. 1 (3) EUGVVO the EUGVVO now also applies in Denmark, as Denmark joined the EUGVVO due to an international agreement with effect of 1 July 2007 (Agreement between the European Community and the Kingdom of Denmark on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters).

Consequently the EUGVVO now applies within the whole European Union and provides several regulations which can determine the competent jurisdiction:

- According to Article 2 (1) EUGVVO persons domiciled in a member state of the European Union shall be generally sued in the courts of that member state if no other provision applies.
- Article 22 EUGVVO does not stipulate another provision in the sense of Article 2 (1) EUGVVO because trade secrets are not acknowledged as intellectual property rights and do not have to be registered in order to gain protection. Consequently Article 22 No. 4 EUGVVO does not apply. Besides, the cases in question do not concern the registration or validity of the secret.
- In the context of the infringement of trade secrets the most relevant provision is Article 5 No. 3 EUGVVO according to which in matters relating to tort, delict or quasi-delict, the courts for the place where



the harmful event occurred or may occur are considered to be competent. This means that also the place where the unlawful action was committed as well as the place where the damaging result occurred are relevant and can both determine the competent jurisdiction. The claimant can choose where to file the claim.

- However, if the defendant is not domiciled in a member state of the European Union, the jurisdiction of the courts of each member state is determined by the national law of the member state, i.e. the provisions of German law apply (see B. 14. b.)

#### bb) Outside the European Union

In regard to Iceland, Switzerland and Norway the competent jurisdiction is determined by the revised version of the Lugano Convention ("LuGÜ"). As the provisions of the LuGÜ are now predominantly identical to the EuGVVO, the competent jurisdiction is determined exactly as explained above (see B. 14. a. aa.).

If neither the EUGVVO nor the LuGÜ or another treaty applies (such as in regard to the Principality of Liechtenstein), the competent jurisdiction is determined by the national statutory provisions as explained below (see B. 14. b.).

#### b) Outside Europe

Outside Europe the competent jurisdiction is determined primarily by international agreements. Depending which foreign jurisdiction is involved it would have to be validated if such an agreement existed. Regarding intellectual property rights such agreements will often exist whereas regarding the protection of trade secrets this will presumably not be the case.

Subsidiary to those agreements, the competent jurisdiction is determined by German statutory provisions regarding local jurisdiction (Sec. 12 et seq. Code of Civil Procedure, respectively for claims concerning unfair competition law Sec. 14 Act Against Unfair Competition).

- According to Sec. 14 (1) Act Against Unfair Competition in cases concerning unfair competition law jurisdiction shall lie with the court in whose districts the *defendant has his or its commercial place of business* or his independent professional place of business, or in the absence thereof, his or its place of residence. The defendant's domestic place of abode shall be the decisive point of reference in a case where the defendant also does not have a place of residence. In addition to that jurisdiction shall lie with the court in whose district the *act was committed*.

Please note: The district in which the act was committed incorporates the place where the unlawful action was committed as well as the place where the damaging result occurred.

- According to Sec. 13, 17 Code of Civil Procedure the court can claim jurisdiction where the defendant has his place of residence respectively where the company has its registered seat. According to Sec. 32 Code of Civil Procedure for complaints arising from tort, also the court in the jurisdiction of which the tortious act was committed shall have jurisdiction whereas also the place where the unlawful action was committed as well as the place where the damaging result occurred is relevant again.

### c) Conclusion

Accordingly, the question if German jurisdiction is competent respectively which jurisdiction is competent cannot be uniformly answered as it depends on the individual circumstances of each case. Both, the domicile of the defendant and the location where the misappropriation of the trade secret took place or where the secret was unlawfully used can be significant. However the location where the trade secret was created is of non-relevance.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdiction always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

a.) According to Sec. 328 Code of Civil Procedure, foreign judgments in the area of civil law are generally recognized as enforceable, however there are certain criteria that prevent the recognition in case that:

- The courts of the state to which the foreign court belongs do not have jurisdiction according to German law;
- The defendant, who has not entered an appearance in the proceedings and who takes recourse to this fact, has not duly been served the document by which the proceedings were initiated, or not in such time to allow him to defend himself;
- The judgment is incompatible with a judgment delivered in Germany, or with an earlier judgment handed down abroad that is to be recognized, or if the proceedings on which such judgment is based are incompatible with proceedings that have become pending earlier in Germany;

- The recognition of the judgment would lead to a result that is obviously incompatible with essential principles of German law, and in particular if the recognition is not compatible with fundamental rights;
- Reciprocity has not been granted.

Considering this, e.g. a foreign judgment granting not only compensational but also punitive damages for the infringement of a trade secret would not be entirely recognized, as punitive damages would be regarded obviously incompatible with essential principles of German law.

b.) According to Sec. 722 Code of Civil Procedure compulsory enforcement of the judgment of a foreign court then may be pursued if such compulsory enforcement is ruled admissible by a judgment for enforcement.

## **Greece**

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Greek Law provides specific provisions on the protection of trade secrets. Articles 16-18 of Greek Unfair Competition Law (Law 146/1914) stipulate the following:

#### Article 16 of Law 146/1914

A punishment of imprisonment for a term not exceeding six months and a fine (not exceeding three thousand drachmas\*), or either of these penalties, shall be imposed upon any employee, worker or trainee of a commercial or industrial establishment or enterprise, who during the term of his employment, without authorization, communicates to a third party secrets of the establishment or the enterprise that have been confided to him by virtue of his employment relationship or have otherwise come to his knowledge, if he does so for purposes of competition or with the intention of damaging the proprietor of the establishment or the enterprise. The same punishment shall be imposed also upon anyone who makes unauthorized use of or communicates to a third party, for purposes of competition, such secrets, if his knowledge of them has been gained through one of the communications designated in the preceding paragraph or through his own acts in violation of the law or the moral principles.

[\*please note that in the above provision drachmas were not converted into Euros]

#### Article 17 of Law 146/1914

The punishment of the preceding Article shall be imposed upon anyone who makes unauthorized use of or communicates to third parties the models or technical standards that have been confided to him in the course of business, and in particular drawings, prototypes, patterns, samples or instructions.

#### Article 18 of Law 146/1914

Infringements of the provisions of Articles 16 and 17 shall also result in liability for damage caused thereby. The punishments provided in Article 16, reduced by half, shall apply to anyone who, for purposes of competition, attempts to induce another to commit an act in violation of the provisions of Article 16 paragraph 1 and of Article 17.

Furthermore, in said cases provisions of articles 914 and 919 of Greek Civil Code may apply.

Article 914 of Greek Civil Code

Any person harming someone else in breach of law and by negligence or intention is obliged to indemnify such other person.

Article 919 of Greek Civil Code

Any person intentionally harming someone else in a manner contrary to the principles of morality must indemnify such other person.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

By virtue of the Articles 16- 18 of Greek Law 146/1914, protection on trade secrets is granted under unfair competition law.

Articles 914 and 919 of Greek Civil Code confer protection, in terms of civil law (tort law).

Greek Law does not provide for a specific definition for “trade secrets”. Therefore the legal concept of “trade secrets” has been developed by Greek legal theory and case law. According to the most generally acknowledged definition, as “trade secret” is considered any fact that relates to a specific enterprise, which is known only to a specified number of persons bound by confidentiality, and which, according to the will of the owner of the enterprise having a reasonable economic interest, must remain secret.

According to the theory of “will”, the most crucial element is the will of the owner such fact to remain secret. On the other hand, according to the theory of “interest”, the most crucial element is the existence of an economic interest for preserving confidentiality. The most prevailing (as correct) is the “combination” theory which requires both elements, i.e. the subjective element of the will of the owner as well as the objective element of the economic interest.

Article 21 par. 1 of Greek Law 1733/87 on "Technology transfer, inventions and technology innovations" is the only provision referring to "industrial secrets". More particularly, subparagraph 1 (e) of the above article provides the following: "such industrial secrets are mainly technical information, data or knowledge which relate to processes, expertise or skills, that have practical application particularly in relation to the production of goods and the rendering of services, provided that they have not become widely known". Please note that this is a purely indicative list of trade secrets, provided under Greek industrial property law.

Furthermore article 43 of Greek Law 2121/1993 on "Copyright, related rights and cultural matters" refers to the specific case of "decompilation" of a computer program, explicitly providing as follows: "The person having the right to use a copy of the computer program shall be entitled to carry out the acts referred to in Article 42 (1) (2) of said Law (i.e. the reproduction of a program) without the authorization of the author and without the payment of a fee when such acts are indispensable to obtain the information necessary to achieve the interoperability of an independently created computer program with other programs, provided that the information necessary to achieve interoperability has not previously been easily and readily available to the person having the right to use the computer program and provided these acts are confined to parts of the original program, which are necessary to achieve the said interoperability". Par. 2 of said Article, protects the secrecy of the above information stipulating that "the above provisions shall not permit the information obtained through their application to be communicated to other persons, except where necessary for the interoperability of the independently created computer program as well as to be used for the development, production or marketing of a computer program substantially similar in its expression to the initial program, or for any other act which infringes the copyright". The above provision, provided under copyright law, is one more example that trade/technology secrets are regarded by Greek law as intangible assets worthy of protection.

Protection of secrets is also provided by other more specific provisions (Article 22a par. 3 of Law 2190/20 which imposes on the members of the Board of Directors of a joint stock company the obligation not to disclose the secrets of the enterprise) or can be the result of an obligation not to compete which is based either directly on a contract or is an incidental obligation according to the principles of good faith. More particularly, according to Article 288 of Greek Civil Code, good faith is the binding guideline as to the interpretation of contracts since it specifically states that every contractual obligation has to be executed following the demands of good faith and moral practices.

Finally and of great importance is the recognition and protection of trade secrets under the International TRIPS Agreement, which was transposed to national law with Greek Law no 2290/1995.

Article 39 of TRIPS Agreement refers to the protection of "undisclosed information" which must not be disclosed to, acquired by, or used by others, provided that:

(a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question.

(b) has commercial value because it is secret and

(c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

As analytically mentioned, under 1- 2 above, Greek Law provides specific provisions on the protection of trade secrets.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Although in the framework of Trips Agreement, implemented with Greek Law no 2290/1995, "undisclosed information" falls within the concept of "intellectual property", under Greek Law, trade secrets, per se, are not classified as intellectual property rights; they may be protected as intellectual property rights provided that specific conditions are met.

Greek Copyright Law (Law 2121/1993) grants protection to "original works of authorship expressed in any form". A work is deemed to be original as a way of expression of the individual mind, when it is the result of the personal contribution and represents some individuality. Greek Courts often apply the criterion of "statistical uniqueness" according to which a work is original when under the same circumstances no other author would create the same work.

In cases where the above conditions are met, trade secrets may be regarded also as intellectual property rights and, thus, fall under the protective provisions of Greek Copyright Law. Nevertheless it must be noted that the protection provided by Copyright Law, although grants absolute rights/powers to the copyright holder, may not protect the pure concept/ "idea" of a trade secret (if this "idea" has not been expressed in a particular form). On the other hand, a business/ trade information may enjoy protection as "trade secret" irrespective of the form in which it is expressed. Furthermore, the element of "originality" which is essential for the copyright protection of a work is not a necessary element for its protection as "trade secrets". Computer programs and their preparatory design as well as databases constitute the most classic examples of works which may, in practice, enjoy both "trade secret" and "copyright" protection.

Comparing trade secrets with industrial property rights, we note that patents/ inventions/ trade marks, unlike trade secrets, require "disclosure/ exposure" of the relevant information. Therefore the two concepts are totally contradictory. In practice, it is usual that a business may prefer to protect its "sensitive" business information as a "trade secret" (and not as a patent/ invention) so that to preserve secrecy for the longest time period possible.

Directive 2004/48 of the European Parliament was incorporated into Greek Law with Greek Law no 3524/2007, which amended certain provisions on Greek Copyright Law. The provisions of the above Directive are not applicable to the protection of trade secrets unless they fall under the protection of Greek Copyright Law (i.e. trade secrets are also protected as intellectual property rights, as mentioned above).



5. Which different types of trade secrets are recognized in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

The definition of "trade secrets" covers a wide range of information goods, worthy of protection under Greek law. The main categories recognized, in our jurisdiction are i) the "commercial secrets" and ii) the "industrial" secrets.

Commercial are the secrets relating to a "business", which are primarily of a commercial or administrative nature, such as i.e., customer lists, information on the sources of supply or on the distributors, price lists, business' balance sheets (prior to their publication), information on sales and special business tactics such as specific discounts, bids for undertaking tenders (before their filing) etc.

Industrial are the secrets having a "technical" nature, such as i.e., technological methods, recipes for chemical, pharmaceutical or cosmetic preparations, designs and drawings, technical types, standards, construction computations, technology "know how" etc.

The above categories are not treated differently in terms of Greek law.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

Unlike IP rights, trade secrets protection in Greece does not confer absolute and exclusive rights to their owners. Under Greek law, exclusivity is not provided for all "intangible" goods but only for IP rights (copyright, patents, trade marks). Nevertheless, Greek law recognizes that trade secrets are of great "commercial value" and worth of safeguarding. Trade secret protection is, specifically, integrated in the provisions of unfair competition law as well as tort (civil) and criminal law.

In practice, the owner of a trade secret safeguards his rights by attempting to preserve the "secrecy" of his confidential information as well as by applying security and legal measures (such as by concluding "confidentiality"/ "non use/disclosure" clauses as well as penal clauses applied in case of misappropriation of his trade secret etc). The main

inadequacy in Greek law is that trade secret protection is always "post factum", i.e. it may be obtained after/upon the commitment of the illegal act/ misappropriation of the trade secret. This means that a trade secret may be protected only against improper use or disclosure of the confidential information. Moreover, if the secret is disclosed, anyone may have access to it.

On the other hand, it may be argued that trade secrets protection offers a much broader scope of protection than the IP rights. Trade secrets are protected without the fulfillment of any requirement of registration while they may be protected without limitation in time.

A European common legislation for the definition and effective protection of trade secrets (although a difficult task) would be a rather positive measure since the status of trade secrets protection is very different among Member States. In our opinion, it would be necessary not only to apply a "uniform" definition of "trade secrets" throughout Europe but also to provide for a minimum level of "effective" enforcement procedures (this is of great importance since Directive 2004/48/EC "on the enforcement of intellectual property rights", which sets a minimum level of protection and enforcement, applies only to trade secrets which enjoy copyright protection). Finally, and in terms of civil proceedings in Greece, in our view, specific measures should be adopted so that to "restrict" publicity in trade secret cases and preserve the "secrecy" of the confidential information in question.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

(i) Decision of Supreme Court no 1041/2010

The defendants were operating as agents of a postal exchange business and they had concluded "non competition" clauses within their agency agreements, which were in force during such agreements as well as for a period of one year after their termination. The postal exchange business decided to "launch" new branches in the geographic areas, the defendants/ agents were activating. The agents terminated their agency agreements and signed "new" agreements with a competitor's business. The Court found that they did not violate the provisions of unfair competition law on the following grounds:

- a) the "non competition" clause was not legal since it did not provide for a fair restitution for the agents undertaking not to work for a competitor.

b) the agents were absolutely free to find a new work.

c) the agents did not act intentionally to compete with the former business.

The Court also accepted that the defendants/ agents could not be aware of the trade secrets/ know how of the plaintiff. More over, the software used by them was widely known and did not constitute "trade secret" of the former business.

(ii) Decision of Supreme Court no 564/2007 and decision of Athens Appeal Court no 912/2008, 4096/2005, 7362/2003

All the abovementioned decisions deal with Article 21 of Greek Law 1733/1987 "on the contract on technology transfer", by virtue of which the supplier of technology undertakes to supply technology to the recipient of technology and the recipient undertakes to pay the value agreed upon. Within the meaning of "technology supply" is, among others, conceived the disclosure of industrial secrets, with drawings, diagrams, specimens, models, instructions, proportions, conditions, processes, prescriptions and methods of production of products referring to the productive exploitation. The above decisions have accepted that the definition of "technology" in the above provision is of a rather broad scope and therefore includes not only "hard technology" information but also any data of technical, industrial or commercial information, knowledge or application. Therefore the secret know how, copyrighted works as well as any kind of technical information /experience may be the subject matter of said technology transfer contracts.

(iii) Decision of Athens Appeal Court no 969/2011

An employee, after the termination of his employment contract, sent letters, proposing collaboration to several clients of his former employer. Plaintiff's allegation that the defendant misappropriated plaintiff's list of customers was rejected since it was not proved that he actually used plaintiff's customer list. The Court found that the defendant was not bound by any "non competition" clauses with his former employer and furthermore that said customers were already known to the defendant (due to his position at the former business). The Court accepted that the defendant did not violate the law or the moral practices.

(iv) Decision of Athens Appeals Court no 6015/2000

The decision deals with the termination of an advertising agreement and the signing of a "new" agreement with another advertising company. Provided that remuneration was paid to the plaintiff, the Court found that it was legal to, further, use, process and exploit the data collected and created by the former advertising company.

(v) Decision of Athens Multimember Court of First Instance no 7440/1999

An employee of a company producing and trading plastic colors, after the termination of his employment agreement, made an announcement in the press that, upon remuneration, he will "disclose" the know how of his former employer, on the production of said plastic colors. The Court was found that the defendant violated Article 1 of Greek unfair competition law as well as that he was acting contrary to the general duty of trust, recognized by tort law.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

(i) Lambros E. Kotsiris, *"Competition Law (Unfair and Free Competition)"*, Sakkoulas Publications 2010, p. 303- 317 (said review contains a general reference to the economic and legal importance of trade secrets, the general framework of their protection, the definition of "commercial" and "business" secrets, the offenses recognized under the provisions of Greek Unfair Competition Law and the remedies applicable).

(ii) Athanasios P. Pantazopoulos, *"The protection of trade secrets in civil proceedings"*, Armenopoulos, March 2008, Volume 3, p. 361- 378 (this article refers to the definition and various categories of trade secrets while it also makes a comparative overview of the law in other countries. The article questions the publicity of civil proceedings, in Greece, in trade secret cases emphasizing on the fact that there is no specific provision for preserving secrecy in said cases, in the course of civil trial. The author expresses the view that there is a need for adopting specific measures, in order to restrict publicity in trade secret cases. Finally, the study also refers to the issue of confidentiality in arbitration proceedings).

(iii) Anastasia Ant. Voudrisli, *"Trade Secrets and their protection under Greek law"*, Aristotle University of Thessaloniki, Thessaloniki 2008, pp. 1 – 34 and 52 – 58 (this reference defines the elements of the legal concept of "trade secrets" and points out the differences between trade secrets and patents, intellectual property works and bank secrets. It also defines the legal nature of trade secrets and the persons who are obliged to respect their confidentiality; it also analyzes protection of trade secrets under Greek Law 146/1914).

(iv) Anthoula P. Papadopoulou, *"The trade secret"*, Sakkoulas Publications, 2007 (this is the most extensive and in dept analysis on the protection of trade secrets, under Greek Law. The book includes reference, inter alia, to the following matters: the nature of trade secrets and their conceptual "identity", p 22- 70, comparisons of trade secrets with other "intangible rights" such as ip rights, p 80- 95, forms of legal protection of trade secrets, legislative protection of trade secrets i) under unfair competition law, ii) under the principles of tort law (such as the principle of good faith), p. 170- 236, contractual protection of trade secrets, confidentiality and non competition clauses, p. 283- 306).

(v) Konstantinos Kleisouras, *"Trade and Business Secret in the EU Competition Law" - Legal thoughts in relation to the decision of European Commission in the Microsoft Case"*, DEE 2006, Volume 4, p. 370- 375 (the article refers to trade and business secrets in the European law and Greek Law, with emphasis on IP rights and compulsory licenses).

(vi) Nicolaos K. Rokas, *"Industrial Property"*, Sakkoulas Publications, 2004, p. 219 (this is a brief review on the matter of the protection of commercial and business secrets).

(vii) Evangelos N. Vassilakakis, *"Special jurisdiction in contract and tort claims, art. 5(1) & 5(3) of EC Regulation 44/2001"*, 2004 (the author provides an analysis of special jurisdiction in contract and tort claims under the EC Regulation 44/2001).

(viii) Michalis – Theodoros M. Marinos, *"Unfair Competition"*, Sakkoulas Publications, 2002, (said revue examines the following issues: protection of business activity, protection of commercial/ business secrets, providing of definition according to unfair competition law, legislative framework, civil remedies available. The author emphasizes on the principle of confidentiality and misappropriation of trade secrets during and after an employment contract, expressing the opinion that in practice it is often difficult to distinguish the know how / information which belongs to a business from the "experience" of employee, which may be freely, thereafter, exercised by the latter).

(ix) Spyridon X. Dragomanovits, *"Free access and exclusivity- Issues of Intellectual Property"*, Sakkoulas Publications, 2001, p. 161- 191 (the revue includes reference to the definition of secrets and their relation with other intangible goods, the information which constitutes "public domain", the essence of "confidential" information, the notion of public interest and overview of the provisions of EU Directive 90/313, the industrial espionage and the use of "confidentiality" information in the context of public organizations).

(x) G.N. Michalopoulos, "*Unfair Competition*", (edited by Nic. K. Rokas), Nomiki Vivliothiki, Athens, 1996, pp. 401-416 (this reference provides a definition of the legal concept of "secrets", lists the categories of secrets and analyzes their protection under articles 16 – 18 of Greek Unfair Competition Law).

#### B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorized use, unauthorized disclosure, misappropriation, or any form of trade secret infringement?

Article 16 section 1 of Law 146/1914 provides for the disclosure of secrets on behalf of an employee, during the term of his employment. The required elements for the commencement of legal proceedings in this case, are:

- a) the offender is an employee, worker or trainee of a commercial or industrial establishment or enterprise.
- b) existence of a secret which has been confided to the offender, or which has otherwise come to his knowledge. There must be a causal link between the employment of the offender and obtainment of knowledge of the secret.
- c) disclosure of the secret on behalf of the offender, during the term of his employment.
- d) disclosure of the secrets to a third party without authorization.
- e) intention on behalf of the offender and act aiming to competition or intention to damage the proprietor of the establishment or the enterprise. These two elements (purpose of competition and intention to damage the proprietor) do not need to be cumulative.

Article 16 section 2 of Law 146/1914 provides for the unauthorized use or disclosure of secrets. The required elements for the commencement of legal proceedings in this case, are:

- a) the existence of an offender (any person may be the offender).
- b) the existence of a secret of which the offender took knowledge, either through the disclosure on behalf of an employee who committed the crime of art. 16 section 1, or through his own illegal actions or in an unfair manner.

- c) the unauthorized (without any legal right) use or disclosure of the secrets to third parties, i.e. the economic exploitation of the secrets on benefit either of the offender, or of a third party.
- d) intention on behalf of the offender and, furthermore, use or disclosure that has taken place with the purpose of competition.

Article 17 provides for the unauthorized use or disclosure of confided models, samples, etc. The required elements for the commencement of legal proceedings in this case, are:

- a) the offender is on a business relationship with the injured party (e.g. a customer). Legal theory accepts that an employee may not, in this case, be the offender, given that, with regards to the employees, art. 16 section 1 applies.
- b) use or disclosure of models or technical standards. "Models" are the objects that are used as such (i.e. as models) for the manufacture of new objects, and may be of a technical or a non-technical nature. "Technical standards" are oral or written instructions on a technical matter. As such technical standards, the Law mentions in an indicative way ("in particular"), the drawings, prototypes, patterns, samples, instructions.
- c) the models, technical standards, etc, have been confided to the offender. There must be a relationship of trust, aiming to the preservation of the secret and the prohibition of its use in a way other than the agreed.
- d) unauthorized (i.e. without any legal right) use or disclosure on behalf of the offender.
- e) intention on behalf of the offender (unlike art. 16, no further elements – such as purpose of competition – are required).

Article 18 section 2 of Law 146/1914, provides for the unsuccessful instigation for the perpetration of the acts of articles 16 and 17. The required elements for the commencement of legal proceedings in this case, are:

- a) the existence of an offender.
- b) unsuccessful instigation for the perpetration of the acts of articles 16 section 1 and 17.
- c) provocation of some other person, in order for him to want to commit the illegal action. There must be a causal link between the provocation and the wanted action.

d) intention on behalf of the offender and, furthermore, purpose of competition.

Article 18 section 1 of Law 146/1914 provides for the civil liability of the offender, i.e. the person who committed the unlawful actions of articles 16 and 17 of Law 146/1914. For the grant of indemnity, the plaintiff has to establish all the elements required for articles 16 or 17, as defined above and, furthermore, he has to indicate in a specific and precise way the amount and nature of suffered damages and the causal link between damages suffered and the illegal actions.

Furthermore, application of article 914 of Greek Civil Code requires:

- a) an act in violation of law
- b) the intention of the offender
- c) damage
- d) causal link between the wrongful act and the damage

Finally, application of article 919 of Greek Civil Code requires:

- a) an act contrary to the principles of morality
- b) the intention of the offender
- c) damage
- d) causal link between the wrongful act and the damage

2. What civil remedies are made available? Are the remedies cumulative?

The remedies provided under civil law, are:

- a) a request that the offender ceases violation of trade secrets and desists from such actions in the future, and
- b) a request for the payment of indemnity for the restitution of damages (actual and moral) suffered by the plaintiff/injured party.

The above remedies are cumulative. Both of them may be applied for by means of a "lawsuit" brought before civil courts, while in cases of emergency and/or imminent danger, the request for "cease and desist" may also be applied by virtue of an application for interim measures.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]



In the framework of an application for interim measures, it is possible for the injured party to request and obtain an ex parte provisional court order to search premises and computer systems for misappropriated data and to order the defendant to provide information as to whereabouts of documents and files containing such data. However, such order is quite difficult in practice to obtain, since one has to allege and prove that there is an extremely urgent case and/or an imminent danger. Furthermore, the conditions that have to be met under civil law and civil procedure law, on the one hand for the ex parte character of the procedure and, on the other hand, for the order itself to be granted, are quite strict.

A more effective way for the above, is for the injured party to follow the penal route, i.e. file a penal complaint and ask from the police officers (acting as inquiry officers) to visit the residence/premises of the defendant, in order to conduct any and all acts necessary for the certification of the illegal action (finding of evidence) and to track down the offender. Given that inquiry actions normally require the prior written order of the district attorney (according to the Greek Code of Penal Procedure), such "ex parte" raid is possible in cases where the obtainment of the district attorney's order will delay the proceedings and, as a result, crucial evidence could be lost/removed/altered, and the certification of the illegal action might either be cancelled, or become more difficult.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

Article 20 of Greek Unfair Competition Law 146/1914 provides for the right to demand the cease of and desist from any act infringing the provisions of said Law within the frame of the interim measures procedure. In said cases, the provisions of 682 etc of Greek Civil Procedural Code are also applicable, which set as a basic requirement the existence of an "imminent danger" calling for immediate judicial intervention. Upon filing a relevant application, the Judge of the One Member First Instance Court may issue a "provisional and thereafter, once the case is heard before the One Member First Instance Court an "injunction order", ordering the "cease" and "desist" from such infringement in the future. The court may also threaten a pecuniary penalty for each and every violation of injunction order.

Therefore, any significant risk of irreparable harm arising from the illegal/ unauthorized disclosure of a business' trade secrets can be prevented by resorting to injunction proceedings, provided that there is a matter of "urgency".

Furthermore, the court may order the provisional seizure and/or the making of an inventory of the articles, which constitute the means, product or evidence of an infringement. Recently several legislative efforts have been made for the acceleration of the civil proceedings.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Article 695 of Greek Civil Procedural Code states that injunction orders are of a temporary nature and do not actually affect the outcome of the ordinary proceedings. The Judge of the One Member First Instance Court may set a deadline to the plaintiff for submitting to ordinary proceedings, which may not be less than thirty (30) days. Should the above deadline expire, and the plaintiff has not proceeded with the filing of a lawsuit in said case, the injunction order is automatically void (article 693 of Greek Civil Procedural Code).

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

One of the significant problems in the civil Greek judicial system is that of frequency of cases' adjournments which renders the judicial process rather slow. Furthermore, the massive number of cases brought before the courts results in an overburdening of Greek Courts.

Generally a civil case is pending before Civil First Instance Courts for three up to six years while final decisions on appeal are usually obtained within two to three years following the First Instance Court decision.

The costs/ legal expenses, in order for a civil case to be heard before Greek Civil Courts depend on various factors such as the nature, subject matter and actual claim of the particular case (please note that even the judicial costs - judicial stamps etc- are determined in concreto, depending the amount of the compensation requested).

(d) Are cases involving technical trade secrets heard by specialist judges?

Special Greek IP courts have been established by Greek law 2479/1997. IP cases as well as cases of mainly commercial nature (such as cases dealing with the provisions unfair competition law) are heard before said IP court composed from, presumably, specialist

judges. As a result, cases involving technical trade secrets shall be, normally, heard by these IP courts. However, please note that even judges of special IP courts have exclusively legal and no technical background. Please note that in complex technical disputes where expert knowledge is required, the Court is usually assisted by technical experts appointed by the Court itself.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)? Court proceedings in Greece are held in public. However, where such publicity would be detrimental to public order or moral values, the proceedings may be treated as confidential on the court's initiative or at the claimant's request (article 114 of Greek Civil Procedural Code). To our knowledge, in practice, such provision has not been applied in trade secret cases. Generally, in the course of civil proceedings in Greece, it is difficult to preserve "confidentiality" in trade secret cases. Thus, the parties, in practice, may prefer the extrajudicial settlement of their case instead of resorting to court proceedings and this explains why there is a rather limited jurisprudence on the subject.

In the course of the civil proceedings, the parties, for substantiating their claims, have to file all relevant documents/ evidence in the case file maintained in the court. Such documents may be disclosed only to the parties (and their attorneys) and not to third persons.

During discovery and seizure actions, the bailiff who executes the procedure has to record/ list analytically all the (tangible) objects that he finds. In cases where trade/ business secrets are not found in a "tangible" form, it will be almost impossible to be recorded during the above actions.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

In Greece, there is no official statistical information in relation to the subject matter of the actions heard by civil courts, each year.

Court litigation in Greece, mostly, relate to the use of "commercial" information belonging to a "business", such as customer lists, business software etc. Greek civil courts have been rather conservative in applying restrictions after the contractual/ employment relationship is over, often resorting to the principle for the "freedom to work" (in practice they also examine whether confidentiality/ non competition clauses were concluded and/ or a fair compensation was paid to the employee /defendant undertaking not to compete for a certain time period after the termination of his contract employment).

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

It is important to note that the unfair competition claims (including claims in relation to trade secrets) are subject to eighteen months statute of limitations, starting from the time the plaintiff gained knowledge of the infringing act. In any case the claims are statute barred five years after the act was committed (Article 19 of law 146/1914 for Unfair Competition). In claims for damages, the limitation period starts from the time the damage was accrued.

5. What defences are available to the defendant in a trade secrets action?

Defense strategy in trade secrets infringement proceedings in most cases involve raising of the following objections:

- a) the goods/ information in question do not constitute "trade secrets" or "confidential information" in a way that they are widely accessible/ known.
- b) the defendant/ offender had the legal right to use or disclose the "secret" to third parties (for example he had obtained the consent of the proprietor or he was obliged to do so for reasons of public policy).
- c) the act was not illegal or contrary to the moral practices.
- d) the defendant/ offender did not have the intention to compete or cause any damage to the proprietor of the "secret".

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

In determining whether to grant or not protection to trade secrets, the most considered requisite for Greek courts is the element of "secrecy". In the civil proceedings, the owner has to prove that the particular information belongs only to his business i.e., it is absolutely confidential in a way that it is not widely known or accessible to other persons.

7. As to award of damages:

(a) What are the available options?

According to the provision of Article 18 of Greek Unfair Competition Law (146/1914) infringement of the provisions of Articles 16 – 14 results in liability for damages caused thereby. Furthermore, Articles 914 and 919 of Greek Civil Code provide for an action for damages if the infringement was intentional, provided that between the infringement and the damages a causal relation exists.

The adjudication of damages, according to the abovementioned provisions, may include both the "positive damages" as well as the "loss of profits" of the proprietor. The calculation of the damages is generally made according to the "principle of discrepancy" by comparing proprietor's economic situation after the commitment of the infringing act (offense) with the one before the commitment of such act.

Given the fact that the trade secret infringement is a tort, Greek law provides also for compensation for the restitution of claimant's/ owner's "moral damages".

(b) What are the criteria to determine and calculate damages?

The amount of damages due is always estimated *in concreto*, depending on the kind and seriousness of the violation, the rights offended etc. Please note that the damages are freely assessed by Greek courts and, in principle, are relatively low.

Practice has shown that assessing damages for infringement of "intangible goods" is often complicated since it is rather difficult to measure their monetary value. In order to substantiate the amount of damages due, the proprietors of trade secrets/ plaintiffs often resort to the "value" of the trade secrets in moral/commercial practices and more particular to the amount of "royalties" which would be paid if said confidential information was licensed. Furthermore and for encountering the difficulties in assessing said "damages", "penal clauses" ("penalties") are often included in the agreements made between the parties, by virtue of which the amount of damages due, in case of misappropriation, is pre- assessed and agreed between them.

(c) Are punitive damages available for breach of trade secrets?

In principle, Greek law does not provide for the adjudication of punitive damages in civil trials/ proceedings. As an "exemption" to the above principle, Article 65 paragraph 2 of Greek Copyright Law (Greek Law 2121/1993) provides that, in cases of copyright infringement, the amount of damages due cannot be lower than twice the remuneration that the infringer should have - in normal circumstances - paid for the legitimate acquisition of the relevant exploitation rights. In cases where "trade secrets" fall under the protective provisions of Greek Copyright Law, as mentioned above, the above Article, which has a rather "punitive character", applies.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

Please note that, due to the relatively low number of "trade secret" cases in civil proceedings before Greek courts, there is not yet an established case law on the evaluation and assessment of said damages. At the same time existing case law has not been overly explicit and detailed on how awarded damages have been calculated.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

No, remedies are not distinguished in relation to whether trade secret violations result from breach of contract obligations or illegal/ improper acts (such as fraud, espionage). Article 18 of Greek Unfair Competition Law applies - without discrimination as to the civil remedies available- to all cases of trade secrets misappropriation, referring explicitly to Article 16 par.1 (disclosure of secrets on behalf of an employee during the term of his employment), Article 16 par. 2 (unauthorized use or disclosure of secrets by a third person) and Article 17 (unauthorized use or disclosure of confided models, samples etc).

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

Greek Law provides for civil remedies in cases where the misappropriation of trade secrets is intentional or the result of negligence and a causal relation between said violation and the damages caused exists. If the defendant is found to be in good faith, it is most probable that the Court shall determine that the offender did not act intentionally (moreover that he was not negligent at all), and therefore the provisions of Unfair Competition Law and Civil Code Law shall not be applicable.

(b) A person who autonomously developed the same information?

In cases where a person autonomously develops the same "confidential" information – situation which would be rather rare in practice - the defendant's act would not be illegal and would not constitute misappropriation of a third party's (proprietor's) property. It may be generally noted that third parties are free to, autonomously, "discover" trade secrets, provided that they use legal means.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(s) While the employee is still employed?

During the course of the employment, employees are automatically bound by their confidentiality duty to protect business' trade secrets and confidential information. Such duty arises from their general fiduciary duty against the employers, imposed by the principles of good faith, provided under Greek Law (Article 288 of Greek Civil Code). In practice, in order to determine precisely the actual content and extent of employees' confidentiality duty, confidentiality agreements/ clauses are usually concluded within employees' contracts. In this way, employers actually improve the protection of their business information; the employees are bound by specific contractual obligations and employers are facilitated in the support and substantiation of their alleged claims against the employees, in the course of civil proceedings. Such confidentiality clauses are more likely to be concluded within the employment contracts of senior business executives as well as technical and scientific experts.

(t) Once the employee has left his employment?

Employees are bound by their confidentiality duty toward their employers (according to the principle of good faith provided by Article 288 of Greek Civil Code) even after the termination of their contractual relationship. Nevertheless, in practice, it is strongly advisable to conclude confidentiality clauses within the employment agreements, which might be in force for a certain period of time even after the termination of the employment agreement.

The employees are also, usually, bound by non- competition clauses, concluded within their employment agreements. Such clauses, which are in force during the employment agreement as well as after the termination of the contractual relationship, are in principle legal unless they impose excessive and disproportional obligations towards the employees, which are contrary to the moral practices and their constitutional right of

freedom to work (Articles 178- 189, 281 of Greek Civil Code and 22 par. 1 and 5 of Greek Constitution). Accordingly, it is clearly suggested that "non competition" clauses are time-limited and fair restitution is paid to the party which undertakes the obligation not to work for a competitor, for a certain period after the termination of his employment contract.

Please note that Greek courts are likely to be conservative in applying restrictions to a great extent after the contractual/ employment relationship is over, unless such obligation has been undertaken against a fair compensation of the employee.

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

We hereby refer to the following examples of contractual clauses which may be included in a contract of employment. The first ones are simple clauses inserted in and almost any employment agreement whereas the second ones are usually included in executives' contracts:

#### Confidentiality Obligation

1) *"The Employee undertakes to keep confidential all information regarding Company's activities according to the prevailing practice of the Company.*

*The Employee is obliged to treat all the information regarding the Employer Company as confidential and shall not be disclosed by him to any third party by any means".*

2) *" I hereby declare that I shall not disclose any confidential information related to the Company, the Company's employees, operation, clients and such clients' business (including, without limitation, trade secrets, the Company's intellectual property, knowledge databases, client and employee information and any other information concerning confidential affairs, etc.) that will come to my attention during my employment with the Company for the maximum duration permitted by applicable law. In case of uncertainty, I shall treat any information supplied to me by the Company as confidential.*

*Further, I expressly declare that I shall not make any statements, announcements, presentations and publications related to matters that will come to my attention during my employment with the Company and I shall abstain from any action that could offend or harm the professional and social image and the good reputation of the Company or the Company also make the same declaration with respect to myself".*



### Obligation of non – competition

1) *"The Employee undertakes not to carry out any activity which may be considered as competitive to the activity carried out by the Employer. Furthermore, the Employee undertakes to refrain from entering into any other employment agreement without the prior written consent of the Employer".*

2) *"I hereby covenant with the Company that I will not engage in any competitive activities for or on behalf of any person, corporation, partnership, venture or other business entity in the field of, or which are related to, the Company (including any Group company), provided that such enterprise shall have activities within Greece that are directly in competition with any Group member activities (the "Competitor"), for a total period of 2 years upon the termination of my employment agreement. More specifically, I shall not directly or indirectly:*

- ü In any way work for a Competitor or be involved whether for my own account or for third parties in activities of a Competitor; or*
- ü Become shareholder or partner to a Competitor; or*
- ü Recruit either directly or indirectly during the said period of time any individuals working for the Company (including any Group company) for the purpose of engaging such for a Competitor, nor shall I contact any existing customer of the Company (including any Group company) during that same period of time".*

The confidentiality clauses are generally enforceable in Greece; though they are reviewed the Courts, on the basis of the following criteria:

- (a) the principle of moral practices (according to the provisions of Articles 178- 179 of Greek Civil Code),
- (b) the principle of good faith (according to Article 281 of Greek Civil Code),
- (c) the criterion as to whether the exercise of the right obviously exceeds the social or economic purpose of said right (Article 281 of Greek Civil Code).

Greek Courts have determined that the following confidential clauses are abusive and do not bind the employees: rather vague (either lengthy or concise) clauses which do not define the actual extent and content of the employees' confidentiality duty, clauses which refer to the unauthorized use of any and all business' information (regardless of whether this is actually confidential or not), clauses which do not specify the cycle of persons to which the information should remain confidential, clauses which serve the interests of the employers exclusively and are contrary to the purposes recognized by Law.

In order to enforce such clauses, Greek Courts have to determine whether they are actually void (and not "abusive") and, for this purpose, examine all relevant issues, such as whether the information in question constitutes "real" secret or general information which does not fall under the protective provisions for "trade secret".

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

Under Greek Law, the basic advantage of reverting to civil instead of criminal or administrative remedies is that the claimant may request from civil Courts: a) that the offender ceases and desists from trade secret's unlawful use and b) that a financial restitution (compensation) is paid to him. Such restitution may also include profit loss. In addition, under certain circumstances, compensation for moral damages may also be awarded to claimant. In contrast, in the framework of criminal procedures, the claimant may only request that the offender is condemned to imprisonment, therefore is no financial restitution granted by the Penal Court. Similarly, administrative authorities (e.g. Hellenic Competition Commission) may impose administrative fines to the offending company and/or impose remedies for the cease of the infringement but do not handle restitution claims. The most important drawback of the civil procedure in Greece is that it runs quite slow (see also answer B4c), characteristic which, unfortunately, is common also to penal and administrative procedures. Nevertheless, Greek Law provides for an interim relief, which is a faster -but preliminary- remedy.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

License agreements, know - how contracts or other legal methods for the commercial transfer and acquisition of technology are important means of protecting trade secrets within the relationship between a company and its business partners. Said agreements may - and in practice - impose conditions on how and under what circumstances the confidential information may be used. In this context, it is absolutely necessary to provide for explicit and specific contractual obligations towards the parties, imposed by the general duty of trust and confidence.

In order to effectively protect business' trade secrets, business to business cooperation agreements (such as franchising agreements, agency and sale agreements etc) must - and usually - contain confidentiality as well as non use and non disclosure clauses. These solutions are generally enforceable in Greece, unless they are found to be contrary to the general provisions on abuse of rights and breach of moral principles.

13. With regards to non disclosure and non use agreements:

a) Are they effective and enforceable in your jurisdiction?

As mentioned above (reply to query 12), non disclosure and non use agreements are generally effective and enforceable in Greece. However, pre-printed standard terms in agreements (particularly employment agreements) which impose excessive non-disclosure and non-use obligations may be challenged as being abusive.

b) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

In case of non disclosure/non use agreements, prevailing enforcement is provided by contract law. However, it is possible that unfair competition law is also applicable, if the breach of non disclosure agreement is also considered to be an act of unfair competition.

c) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

Such doctrine does not exist in Greece. Therefore, if a non disclosure agreement is based in said doctrine, it may be recognized as abusive and ineffective by Greek Courts, unless such agreement is time-limited and fair restitution is paid to the party which undertakes the obligation not to work for a competitor.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are

misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

First of all, we should remind that under Greek Law misappropriation/ unlawful use of trade secrets is a form of tort. In case of cross-border torts, the most important legal issues arising under Greek Law are: Which is the applicable law and if the tort litigation can be started in Greece. As per the second question (jurisdiction of Greek Courts) we note that different legal provisions apply:

- Articles 2 par. 1 and 5 par. 3 of Regulation (EC) No. 44/2001 (Brussels I Regulation) are enforced in case that the person/ entity who committed the tort is domiciled in an EU Member-State (except Denmark).

- Article 35 of Greek Civil Procedure Code is enforced in case the offender is not domiciled in an EU Member-State.

Nevertheless, we point out that, after the recent amendments of Greek Civil Procedure Code (enacted with the Law 3994/2011), the provision of article 35 repeats the provision of Article 5 par. 3 of Regulation (EC) No. 44/2001 (with the exception of mention to quasi-delicts).

According to Article 2 par 1 of Regulation (EC) No. 44/2001 "*persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State*". This is the general rule of jurisdiction, which also applies to claims arising out of tortious acts, such as trade secret misappropriation/use and other acts of unfair competition.

In addition, according to Article 5 par. 3 of Regulation (EC) No. 44/2001, "*a person domiciled in a Member State may, in another Member State, be sued in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur*". The European Court of Justice (ECJ), when dealt with the expression "*place where the harmful event occurred*", held that it refers both to the place of the event giving rise to the damage (place of acting), and to the place, where the injury is sustained (place of injury), thus granting the claimant a choice of jurisdiction between the two places, if they do not coincide. We note that, according to

jurisprudence of ECJ<sup>86</sup> and Greek Supreme Court, as “place of injury” it qualifies only the place where the direct/initial damages occurred.

In view of the above legal provisions of the Regulation and the case-law, it could be said that trade secret litigation (and in general unfair competition litigation) can be started to the following courts:

- i) that of the domicile of the offender;
- ii) that of the place where the event giving rise to the damage took place;
- iii) that of the place where the direct damage occurred. We note that according to Greek legal doctrine<sup>87</sup>, in cases of unfair competition acts, the place where the claimant suffered the direct financial loss from the unfair competition act should qualify as the “place where the direct damage occurred”. If the claimant suffered such loss in more than one places (Member States) including Greece, then in accordance with the ECJ judgment of 07.03.1995 (Fiona Shevill/Press Alliance) C-68/93, the claimant may also bring an action before the Greek courts, which will have jurisdiction to rule only in respect to the loss caused in Greece.

With regards to the example included in your question, our opinion is the following:

- a) If Greece is the place where Company X is established and creates/conceives trade secrets, trade secret litigation could not be heard before Greek Courts, unless Greece also qualifies as the place where said trade secrets were misappropriated/ used and/or as the place where Company X suffered the direct financial loss from such misappropriation/use.
- b) The place where the trade secret misappropriation was committed should be considered as the “place where the event giving rise to the damage took place”. Therefore, if Greece is the place where such misappropriation took place (no matter the claimant’s/offender’s domicile), Greek Courts are competent to hear the respective claims.
- c) If Greece is the place where trade secrets are unlawfully used, litigation would be actionable in Greek Courts, because, according to Greek Law such “unlawful use of trade secrets” should be considered an event giving rise to the damage.
- d) If the parties (claimant/ trade secret’s offender) are domiciled in a foreign jurisdiction, Greek Courts are competent to hear the respective claims, if Greece, according to Article 5 par. 3 of Regulation (EC) No. 44/2001, is either the place of acting (place of trade secret misappropriation/use) or the place of injury (place where claimant suffered direct financial loss).

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<sup>86</sup> See ECJ judgment of 19.09.1995 (Marinari/Lloyd’s Bank) C-364/93.

<sup>87</sup> See Evangelos N. Vassilakakis, “Special jurisdiction in contract and tort claims, art. 5(1) & 5(3) of EC Regulation 44/2001”, 2004, pp. 243-244.

Given that, as previously said, Article 35 of the Greek Civil Procedure repeats Article 5 par. 3 of Regulation (EC) 44/2001 (with the exception of mention to quasi-delicts), the above answers are also valid in case the offender is not domiciled in an EU Member-State.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

In respect to enforcement of foreign judgments on trade secrets in Greece, a basic distinction should be made between judgments given in an EU Member-State (except Denmark) and judgments given in other foreign jurisdictions.

i) As far as judgments given in an EU Member-State and enforceable in that State are concerned, they shall be enforced in Greece, upon request of any interested party (Article 38 of Regulation (EC) 44/2001). However, according to Article 45 of Regulation (EC) 44/2001 in conjunction with Articles 34, 35 of said Regulation, the Greek Courts shall refuse enforcement for one of the following reasons:

1. if such enforcement is manifestly contrary to public order in Greece;
2. where it was given in default of appearance, if the defendant was not served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable him to arrange for his defence, unless the defendant failed to commence proceedings to challenge the judgment when it was possible for him to do so;
3. if it is irreconcilable with a judgment given in a dispute between the same parties in Greece;
4. if it is irreconcilable with an earlier judgment given in another Member State or in a third State involving the same cause of action and between the same parties, provided that the earlier judgment fulfils the conditions necessary for its recognition in Greece.

Please note that, to our knowledge, there is neither case-law nor legal doctrine in Greece with regards to the reasons which would prevent an EU judgment on trade secrets from being enforced in Greece.

The first allegation mentioned in your question (e.g. that the trade secrets at stake would not be regarded as protectable at all according to Greek Law) if submitted before

Greek Courts, in our opinion, would probably be considered as an insufficient reason for non enforcing a judgment given in an EU Member-State. In fact, as previously said (see answer A2) Greek Law does not provide for a specific definition for "trade secrets". Therefore, the legal notion of "trade secrets", which has been developed by Greek legal doctrine and case law, is a "flexible" one as it includes a wide range of business information, worthy of protection.

As it regards the second allegation mentioned in your question (that the protection afforded by Greek Law is significantly weaker than the one afforded by the foreign judgment), if submitted before Greek Courts, we have the opinion that it would probably be considered as insufficient grounds for denying enforcement of an EU judgment. According to Greek Supreme Court, the fact per se that a foreign judgment is granted pursuant to legal provisions not known to Greek Law or even contravening Greek Law would not lead Greek Courts to deny its enforcement, unless moral values and lawful interests of fundamental nature are violated.

ii) As far as judgments given in foreign (non EU) countries and enforceable in those countries are concerned, according to Article 905 of Greek Civil Procedure Code in conjunction with Article 323 of said Code, such judgments shall be enforced in Greece, provided that the following conditions are met:

- a) if the foreign Court was competent under Greek law to hear the case;
- b) if the defendant was not unjustly deprived of the right to be heard and participate in the Court proceedings;
- c) if the foreign judgment is not contrary to a domestic judgment that has been given in the same case and creates precedent between the same parties;
- d) if the foreign judgment is not contrary to moral values or to public order.

Please note that, to our knowledge, there is neither case-law nor legal doctrine in Greece with regards to the issue in question (trade secrets' judgments enforcement).

As per the two non-enforcement reasons included in your question, we note that the above provided answers regarding EU judgments are also valid for non EU judgments.

## Hungary

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Yes.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

#### 2.1. Civil law

- Art. 81(2) of Act No. IV. Of 1959 (hereinafter: the Civil Code) whereas:

*Trade secret means all facts, information, solution or data pertaining to economic activities the publication of which, or the acquisition or use of which by unauthorized persons, is likely to violate or imperil the financial, economic or market interests of the owner of such secret, provided the right holder has taken all the necessary steps to keep such information confidential.*

- Art. 86(4) of the Civil Code - know how

*Persons shall also be entitled to protection with respect to their economic, technical, and organizational knowledge and experience that has financial value. The beginning and duration of the period of protection shall be determined by a legal regulation.*

The Commentary of the Civil Code explicitly mentions these types of secrets as know-how.

According to the relevant case-law, we will provide more detailed definition at question 7.

#### 2.2. Competition law:

- Art. 4. (in Chapter II on the Prohibition of Unfair Competition) of Act LVII of 1996 on the Prohibition of Unfair Market Practices and of Restrictions of Competition (hereinafter: Competition Act):

##### *Art. 4*

*(1) It is prohibited to gain access to or use business secrets in an unfair manner, and to disclose such secrets to unauthorized parties or to publish them.*

*(2) It shall also qualify as gaining access to business secrets in an unfair manner where access to such business secrets are obtained without the consent of the entitled person through a party in a confidential relationship or business relationship with such person at the time of or prior to gaining access to the secrets.*

*(3) For the purposes of this Act:*

*a) 'business secret' shall have the meaning defined in Subsection (2) of Section 81 of the Civil Code;*

*b) 'confidential relationship' shall, in particular, mean employment relationship, other work-related contractual relationship and membership;*



c) 'business relationship' shall comprise the provision of information, negotiations and making proposals prior to making a deal, whether or not a contract is subsequently signed as a consequence.

### 2.3. Intellectual property law::

- Act No. LXXVI of 1999 on Copyright (hereinafter: "Copyright Act")

*Art. 10 (1) Authors decide whether their works can be published.*

By this provision not-published works can also qualify as trade secrets if it meets the criteria for trade secret (see Art. 81 (2) of the Civil Code above, see also B 1.1 below).

- Act XXXIII of 1995 on the Patent Protection of Inventions (hereinafter: Patent Act)

*Art. 12*

*(1) The employer shall file a patent application within a reasonable time following receipt of the notification of a service invention; furthermore, the employer shall proceed with all related due diligence to obtain a patent.*

*(2) Provided that the patentability of the invention at the date of receipt of the notification has been acknowledged by the employer and the invention is kept secret and exploited within the trade as such, the employer may forego the filing of a patent application or may withdraw the application. The employer shall notify the inventor of such decision.*

Consequently, inventions kept secret, inventions which do not reach the level of patentability, or patent claims filed but not yet published shall also fall under the scope of trade secrets.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

NA

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

If the invention reaches the level of patentability the provisions of the Patent Act shall apply. If the information, data collection is eligible for the sui generis database protection under the Copyright Act or can be otherwise regarded as a work under the Copyright Act, the provisions thereof shall apply. The legislations which have implemented the Enforcement Directive apply only in these special cases, however not generally to trade secrets or know-how.

The Civil Code declares under the title "Rights Related to Intellectual Creations" that persons shall also be entitled to protection with respect to economic, technical and

organizational knowledge and experience that have financial value (Art. 86(4)). The protection exists in case of an already started or planned utilization until it becomes part of the public domain. Practical knowledge and experience are not evidently creations but other results of intellectual activities; the Civil Code categorizes them as intellectual creations for this reason. The court practice defines know-how on the basis of Art. 86 of the Civil Code as follows: "According to the theory and practice based on Art. 86(4) of the Civil Code, know-how is essentially economic, technical, organizational knowledge and experience, which can be used in practice and is accessible to a limited extent; and which is protected until it becomes part of the public domain; know-how is assignable, i.e. transferable. The value of know-how arises from the limited access thereto; the knowledge represents an advantage as compared to other market participants. The knowledge may or may not be secret, where the mere compilation of the knowledge according to special aspects requires such an amount of work that someone wishing to use it prefers to obtain the knowledge by means of a contract, than producing it in an own research" (BH 1992.257).

Contrary to the definition of trade secret, the current legal definition of know-how does not contain the element according to which the right holder shall make all reasonable efforts to preserve secrecy. Nevertheless, as the protection exists until it becomes part of the public domain, it is in the right holder's interest to make the necessary efforts to maintain secrecy.

5. Which different types of trade secrets are recognized in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

According to the trade secret definitions provided by law and as set out above there are four different types of trade secrets:

- Trade secrets according to the Civil Code (e.g. information, data)
- Know-how which qualifies as intellectual creation and may be subject of protection in compliance with the provisions of the Civil Code mentioned above (see Art. 86(4)).
- Invention kept secret according to the above mentioned provisions of the Patent Act.
- Creations kept secret according to the above mentioned provisions of the Copyright Act.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

We cannot identify any inadequacies of the law on trade secrets applicable in Hungary. A European harmonized legislation for the definition and effective protection of trade secrets would certainly be positive but only if a natural harmonization has not yet been taken place as a consequence of the implementation of TRIPS and the relevant EU directives on competition and IP law and related enforcement.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Case-law relating to definitions:

- BH 1992.257 - Definition of know-how:

According to the theory and practice based on Art. 86(4) of the Civil Code, know-how is essentially economic, technical, organizational knowledge and experience, which can be

used in practice and is accessible to a limited extent; and which is protected until it becomes part of the public domain; know-how is assignable, i.e. transferable. The value of know-how arises from the limited access thereto, the knowledge represents an advantage as compared to other market participants. The knowledge may be secret, but it is also possible that it is not, where the mere compilation of the knowledge according to special aspects requires such an amount of work that someone wishing to use it prefers to obtain the knowledge by means of a contract, rather than producing as the result of his own research.

- BDT2010.2328 - The nature of know-how and trade secret as inherent right of a company:

Know-how is considered to be a special type of trade secret. From a competition law point of view the method by which the technical solution was acquired is relevant. Thus, if the technical solution was obtained fraudulently, then, it is irrelevant whether it is a trade secret or not. In case more parties obtain such information that is used in the course of the development of a product they cannot claim damages from each other. Based on the regulations of the Civil Code, trade secrets are not property but inherent rights of a company. Consequently, such rights will not be preserved following the termination of the company and the company will not be entitled to claim its trade secret rights.

- 8.Pf.21.433/2009/5.

Databases can be qualified as trade secrets provided that such database contains information that is not available to the general public. In the present case, a database was published which was created by a company of its clients data, telephone numbers, contact persons' names and additional notes concerning the previous years. The court ruled that the database qualified as trade secret as the result of the additional information it contained.

In considering whether the owner of the trade secret has taken all necessary steps to keep such information confidential, the mere existence of an employment contract is not sufficient. The satisfactory level of action to protect the data shall be decided on a case by case basis.

- 8.Pf.20.027/2009/5

The regulation of business secret in the Hungarian Competition Act is in the "Prohibition of Unfair Competition" chapter. The general rule of prohibition of unfair competition, according to which it is prohibited to conduct economic activities in an unfair manner, can only be referred to in cases where no specific section of the Competition Act applies. Consequently, in course of a patent infringement procedure, the court held that in case a machine's technological description is copied and used for the production of another machine, first the applicability of the section of business secret shall be observed and only in case the specific provision does not apply, can the general rule of unfair competition be applied.

- BDT2002.711

Data of a clientele shall qualify as trade secret.

- BDT2006.1492

If the production of an energy drink is only possible with the knowledge of the formula and the owner of the rights has taken all the necessary measure to protect its product, then these facts and information are considered to be business secret. The court held that including restrictive clauses in a marketing agreement can be considered as a suitable measure to protect the formula.

- BH 2003. 189

Publishing comprehensive data regarding two separate companies which may be known from public company register, does not qualify as violation of trade secret protection rights.

#### Cases relating employment relationship

- BH 1995.231

A situation where the employee utilizes information obtained at the employee's previous workplace when employed by another undertaking or starts business activities himself/herself, shall be examined by taking into account all circumstances of the case. It shall be emphasized that the utilization of the general knowledge of a professional at a new workplace can not be restricted by its nature, since the opposite opinion would infringe the principle of the freedom to be employed.

This knowledge is "in the brain of the employee", however, it is prohibited to copy data that qualifies as business secret. The fact that the employee has transferred the intellectual knowledge obtained at the employee's previous workplace into the company founded by him/her, can not be per se objected.

- 14.Gf.40.439/2008/4.

A former employee commits trade secret infringement if he enters into new employment contract and uses the information obtained (and qualified as trade secret) in his field of activity. The information obtained in the course of his former employment relationship was in the present case a list of the company's business partners' data. Since in this specific case the number of participants on the market was very limited and thus known to all market players already active in the specific field, the court specified that the unauthorized use of the list could only be established based on the fact that the defendant has started this special activity solely after the transfer of the employee with employees knowledge of plaintiff's trade secret.

- Gfv.X.30.240/2007/4.

In order to include effective non-disclosure contractual clauses in employment contracts, such clauses shall be precisely defined and shall clearly indicate the scope of the trade secret. If the employment contract contains a general loyalty clause which does not formulate specific requirements relating to the employee, it will not be sufficient for the establishment of trade secret infringement.

#### Cases relating to enforcement

- BH2002.52.

In case of trade secret infringement only the right holder is entitled to request the objective and subjective sanctions provided for in the relevant regulations. As inherent rights (i.e. such as trade secret rights) may only be enforced personally, it is important to determine who the holder of such trade secret is.

- Pf.V.20.231/2010/3

As described above, the relevant section of the Hungarian Competition Act refers to the definition of the Hungarian Civil Code. Based on the before mentioned fact and according to the judgment, the claim can be based on the relevant section of the Civil Code or of the Competition Act as well. It is the plaintiff's choice to decide based on which regulation to file the claim under. Moreover, the claim can be based on both regulations. In the same case the court emphasized, that a request to appoint an expert for further proof cannot result in disclosing the trade secret.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

- András Kisfaludi: Company Secrets. Data Protection in Commercial Companies. (Ius privatum. 2001. 151-168.)  
(Kisfaludi András: A társaságok titkai. Titokvédelem a gazdasági társaságokban. Ius privatum. 2001. 151-168.)
- Ádám Földes: Trade Secret and Freedom of Information. (Free data, protected data. Vol.2, 2008. 55-80.)  
(Földes Ádám: Üzleti titok és információszabadság. Szabad adatok, védett adatok. 2. kötet, 2008. 55-80.)
- Jenő Bobrovsky: Mysteries and Crafts - Commentary on Trade Secret and Know-how Questions in Relation to the Reforms of the Civil Code. (About the protection of Intellectual Property. 2006. 221-236.)  
(Bobrovsky Jenő: Rejtélyek és fortélyok - hozzászólás az üzleti titok és a know-how kérdésköréhez a Ptk. javaslat kapcsán. Szellemi tulajdon védelméről. 2006. 221-236.)
- István Nagy Csongor: On the Interpretation of Hungarian Competition Law's Rules of Trade Secret (Jurisprudence Journal. 2008. no. 11, 553-561.)  
(Nagy Csongor István: A magyar versenyjog üzleti titok-szabályának néhány értelmezési kérdéséről. Jogtudományi Közlöny, 2008. 11. kötet, 553-561.)
- Edit Frank: The Protection of Trade Secret (Company and Law. 2000/9. 33-34.)  
(Frank Edit: Az üzleti titok védelme. Cég és Jog 9/2000. 33-34.)
- Zsuzsa Kerekes: No Tax-Paying Without Representation. On the Conflict of Freedom of Information and Trade Secrets (Fundamentum. Journal of Human Rights'. 2001/4. 85-91.)  
(Kerekes Zsuzsa: Nincs adózás képviselet nélkül. Az információszabadság és az üzleti titok konfliktusáról. Fundamentum. Az emberi jogok folyóirata 4/2001 85-91.)
- Protection of trade secrets through IPR and unfair competition law - AIPPI Question Q215, National Report of the Hungarian Group, 2010; (head of the working group: Dr. Gusztáv BACHER).
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## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

### 1.1 Civil Code

First it must be established that information which was disclosed qualifies as trade secret. Namely claimant must show that

- the facts, information, solution or data relates to economic activities,
- the publication of it, or the acquisition or use of it by the unauthorized person is likely to damage claimant's financial, economic or market interests, and
- that claimant has taken all the necessary steps to keep such information confidential.

Secondly it must be established that the trade secret was

- published unlawfully, or
- gained access to or used in an unfair manner by respondent.

### 1.2 Competition Act

Under the Competition Act, the acquiring of or the making use of trade secrets in an unfair manner and the unauthorized disclosure of trade secrets to third parties or to the public shall qualify as infringement.

2. What civil remedies are made available? Are the remedies cumulative?

2.1 Remedies in case of violation of trade secret (Art. 84 (1) Civil Code)

The injured party may demand:

- a) that the court declares the occurrence of the violation of law,
- b) the infringer to cease the violation and be prohibited from further violation in the future;
- c) the infringer to give satisfaction by way of a statement or in another suitable manner and, if necessary, that appropriate publicity be given to the satisfaction on the part or at the expense of the infringer;
- d) the injurious situation be terminated and the former status quo be restored by and at the expense of the infringer and, furthermore, the objects created due to the violation be destroyed or such objects be deprived of their injurious nature;
- e) compensation for damages in accordance with the tort law of the civil law.

If the amount of damages is not in proportion with the gravity of the violation, the court is entitled to impose a fine to be used for public purposes.

2.2 Remedies in case of violation of know-how (Art. 87 (2) Civil Code)

f) Beyond the above remedies under point 2.1 in case of the violation of know-how the holder of the know-how may also demand a share of the financial gains from the person who has expropriated or used the know-how.

2.3 Remedies under the Competition and the Intellectual Property Acts

The Competition Act (Art. 86) and the Patent (Art. 35) and Copyright Act (Art. 94) contains the same remedies as a result of the implementation of the Enforcement Directive.

Beyond the above remedies a)-e) the following remedies are available in case of unfair competition or infringement of intellectual property rights:

The affected party may demand:

- f') the recovery of profit
- g) that the infringer disclose information relating to the parties participating in the manufacturing and marketing of the goods involved in the case as well as on the business relations established to distribute such goods;
- h) the seizure of the means and materials used solely or primarily for the infringement, as well as of the goods affected by the infringement, or having them handed over to specific persons, or recalled or withdrawn from commercial circulation, or the destruction of such goods;
- i) to have the decision disclosed at the expense of the infringer. Disclosure shall, in particular, mean publication in a national daily newspaper or being posted on the Internet.

The differences between f), that is the recovery of a share of the financial gains and f') that is the recovery of profit are the following:

- Recovery of profit means the full amount of the profit achieved through the infringement and not only a share of it.

- The recovery of a share of the financial gains is based on objective liability while the claim for the recovery of the profit can only be enforced if the infringer committed the infringement with culpability (negligence).

- The recovery of the profit can be claimed even if no actual profit has been achieved, since its minimum is the fictitious license fee which the infringer would have had to pay had the infringer obtained a license.

In relation to competition law violations the court may also impose a fine on the infringing company in accordance with Art. 78 of the Competition Act.

According to Art. 78 (1) of the Competition Act, the maximum amount of the fine that can be imposed on undertakings infringing the Competition Act is 10 % of the previous business year's net turnover of the group involved in the infringement.

According to Art. 78 (2) of the Competition Act, if there is no credible information available on the net sales revenue of the companies or group of companies referred to above for the financial year preceding the year when the resolution on the illegal conduct was adopted, the maximum amount of the fine shall be determined based upon the sales revenue for the last financial year for which the books are closed officially.

Further, according to Art. 78 (3) of the Competition Act, the fine shall be determined with regard to all relevant circumstances of the case, in particular, to the gravity and duration of the illegal conduct, the advantage gained by such conduct, the market position of the offenders, the degree of responsibility and any cooperation in the investigation. It is also taken into account if the company is a repeated offender.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

Hungarian civil procedural law does not know search orders.

Pursuant to the Competition Act [Art. 88 (5)-(11)] and the relevant IP acts it is possible to request the court even ex parte to order the other party to provide certain documents but the documents have to be specified in advance. If the defendant does not comply it is possible to request the execution of the order but even in that case the executor will only search for the specified documents.

Decision on preliminary injunction or precautionary measures may be brought by the court ex parte, if any delay could cause irreparable harm or if there is a risk that any evidence would be destroyed. In such cases the other party is given notice of the decision only when it is executed. However, following such notice, the party affected by the decision may request a hearing and that the decision is amended or annulled.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

General rule:

Pursuant to Art. 156(1) of the Hungarian Civil Procedure Code (Act No. III of 1952), a court may issue a preliminary injunction in order to

- (i) prevent imminent damage;
- (ii) maintain the status quo during a legal dispute; or

- (iii) protect the claimant's rights requiring special protection. This stands as long as the burdens imposed by such a measure do not exceed the benefits that may be gained by it. The facts relating to the reasoning of the request for a preliminary injunction must be of a probable nature.

Based on the above all civil law remedies can be requested by way of interim relief.

Under the Competition Act as well as the intellectual property acts in addition to civil remedies, the claimant may request the court, on conditions relating to provisional measures, to

- (i) order precautionary measures, if he demonstrates circumstances likely to endanger the later satisfaction of his claim for damages or for the surrender of the enrichment obtained by infringement;
- (ii) compel the infringer to communicate or present his banking, financial or commercial documents with a view to ordering the precautionary measures in accordance with point (i).
- (iii) Instead of demanding to enjoin the infringer from the infringement, the injured party may also request the court to oblige the other party to deposit a security provided that the injured party approves the continuation of the allegedly infringing activity by the other party.

In procedures under the competition and intellectual property law the injured party may also submit a request for preliminary injunctions even before filing the statement of claim on the merits of the case. Otherwise, the general rules on preliminary injunctions contained in the Code of Civil Procedure shall be applicable. The court can request the plaintiff to deposit a security to cover the possible damages caused if the injunction proves to be unjustifiable.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Final injunctions are not limited in time and they can only be granted in way of ordinary proceedings.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

The average duration of a civil proceeding generally depends on the circumstances of each case. However, in our experience, legal proceedings concerning trade secret infringement or intellectual property right infringement generally take 2-5 years.

(d) Are cases involving technical trade secrets heard by specialist judges?

According to Hungarian law on civil procedure only in case of patent infringement are the cases heard by specialist judges with technical knowledge. In such cases the Municipal Court of Budapest has exclusive jurisdiction and acts in a panel consisting of three professional judges, two members of whom shall have a higher degree of technical qualification(see Art. 87 Patent Act).

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

Trade secrets during litigation are protected by the provisions of the Code of Civil Procedure which generally apply to all types of civil law litigations. First, the protection of trade secrets is ensured by an exception from general principle of publicity of oral court hearings: the judge may exclude the public from a part or from the entirety of the oral hearings if it is necessary for the protection of trade secrets (Art. 5). Furthermore, if the public is excluded from the oral hearing even the involved



parties are prohibited from making copies of the minutes of such hearing or of documents containing the trade secret in question.

Second, if during the litigation any document containing trade secret is submitted, the parties' right to inspect the court files is subject to a special declaration of non-disclosure and the judge shall establish in its decision a special procedure to review such documents (Art. 119). However, if the holder of the trade secret did not consent to the disclosure of the trade secret no one may inspect the concerned document except for the judge and court clerk (Art. 119).

In Hungary there are no rules on discovery proceedings as in common law countries. However, if somebody is heard as witness in the civil procedure and has in his/her possession a document which is relevant to the case, then the witness is obliged to present this document in front of the court (Art. 174).

In cases of competition and IP infringement, in line with the EC Enforcement Directive (Directive No. 2004/48/EC), as incorporated into the respective laws, the right-holder may, inter alia, demand that the infringer provide information on the identity of persons involved in the production and distribution of the infringing goods or the provision of infringing services and of their channels of distribution. No defense based on trade secret can be invoked by the infringer against such claim.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

There is no publicly available comprehensive information or statistics with this respect.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

NA

##### 5. What defenses are available to the defendant in a trade secrets action?

Defendant may use following arguments as parts of his/her defense: Information which at the time of disclosure is already in the public domain, or it became part of the public domain through no violation of contractual relationship; information does not qualify as trade secret; defendant is able to prove to have been in possession of the information prior to disclosure by plaintiff; information was lawfully disclosed by a third party to defendant, which information such third party did not acquire under a still effective obligation of confidentiality to the plaintiff or defendant can demonstrate that the information was independently developed or acquired without reference to or reliance upon confidential information.

Furthermore, Art 81(3) and 81(4) Civil Code provide that data that qualifies as information of public interest may not be deemed as trade secrets unless it incorporates know-how (intellectual creation). Data that relates to financial connections with the State, a local government or EU budget/funds shall be public. Therefore no one can rely on the protection of trade secret if the subject-matter of the protection qualifies at the same

time as public data. Nonetheless, if the data incorporates know-how, the exception does not apply. In other words, the protection of know-how overrules the mandatory access to information of public interest.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

In relevant case-law adoption of adequate measures to protect secrecy is an important element in determining whether to grant protection or not. In the case 14.Gf.40.439/2008/4. the court states that: the right holder took all necessary steps to keep information confidential, since only certain employees had access to the database containing confidential client data and such database was protected by special password. Another case stipulates, that loyalty clause itself is not sufficient to keep information, data, etc. confidential. When using loyalty clauses, the right holder or the employer must specify range or categories of data, information, knowledge, etc. which are being protected. (Gfv.X.30.240/2007/4.)

7. As to award of damages:

- (a) What are the available options?
- (b) What are the criteria to determine and calculate damages?
- (c) Are punitive damages available for breach of trade secrets?
- (d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

(a) There are three options to award damages:

- (i) full compensation
- (ii) in case of violation of Art. 4 of the Competition Act (see A 2.1 above) or any IP infringement the recovery of the enrichment
- (iii) so called general damage

ad (i) Pursuant to Art. 355(4) full damages must be paid, i.e. actual damage, loss of profits and compensation or cost reimbursement which is capable of decreasing or eliminating the financial disadvantage suffered by the aggrieved person

ad (ii) Instead of claiming the actual damages at its own discretion the injured party may claim the recovery of enrichment achieved by the other party as a consequence of the unlawful act. The recovery of the enrichment can be claimed even if no actual profit has been achieved, since its minimum is the fictitious license fee which the infringer would have had to pay had the infringer obtained a license.

ad (iii) In the actual amount of the damages cannot be established the court will make an assessment capable of compensating the damaged party [Art. 359 (1) Civil Code]

(b) Elements of the loss are the following:

- (i) loss of value in the assets of the injured party (damnum emergens);
- (ii) loss of profit sustained as a consequence of the infringement (lucrum cessans), and
- (iii) indemnification for expenses which were necessary for the mitigation of the losses; and
- (iv) non-financial loss.

Criteria depends on the type of trade secret infringed. The plaintiff must prove the amount of loss of profit, further the plaintiff must prove its profit margin. In the case of non-financial losses, they can be claimed only if the plaintiffs can prove a non-financial detriment (prejudice) caused by the infringement (i.e. detriment to its reputation).

(c) There are no punitive damages available for breach of trade secrets.

(d) There is no publicly available statistics or information regarding the amount of damages.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations

resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

In general there is no difference between breach of contract and tort.

The only difference is that based on contractual freedom in contracts additional obligations can be introduced. For example in the case when information, data, etc. infringed do not meet the requirements of elements of the definition of trade secrets under the Civil Code or other relevant law, but the defendant entered into a contractual relationship with the right-holder, where information mentioned above are treated as trade secrets and thus the obligation not to disclose them is stipulated, right-holder can claim damages in case of a contractual breach.

Further, in the contract a penalty can be included over and above the sum of the amount of damages that can be recovered. Available remedies are the same as in case of trade secret violations.

9. Are the remedies identified for your jurisdiction also enforceable against:

- (a) A person who obtains trade secrets in good faith? and/or
- (b) A person who autonomously developed the same information?

(a) No, the remedies are not enforceable against persons acting in good faith. Art. 4 (1) of the Civil Code provides for the general obligation to act in good faith, while Art. 4 (2) states that the minimum requirement for acting in good faith is to act in a manner deemed reasonable under the given circumstances. Art. 4 of the Competition Act prohibits the gaining access to or using business secrets in an unfair manner; IP law can only be enforced if the infringement was committed with culpability (negligence).

(b) Utilization of the same information developed autonomously may be part of the defense. The burden of proof is on the defendant.

With respect to both answers (a) and (b) we refer to case Gf. I. 30 199/2009, where the Appeal Court of Szeged said that in order to establish the infringement of know-how, it is not sufficient to prove that the plaintiff owns said know-how, but also that it has been obtained by defendant in an unfair manner.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- (u) While the employee is still employed?
- (v) Once the employee has left his employment?

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

a) In general, as a result of the applicable Hungarian law, it can be established that the employer has control over the information created by an employee, even if personal knowledge and skills of the employee were involved. No specific assignment is required, and co-ownership of trade secrets does not exist in the Hungarian legal system. The rights pertaining to a trade secret shall belong to the employer by virtue of the labour/service contract.

The employee has a general obligation of confidentiality as part of the employee's employment obligations. Employees shall not disclose any business secrets obtained in the course of their work or any information of importance pertaining to the employer or its activities.

Furthermore, employees shall not convey to unauthorized persons any data learned in connection with their activities that, if revealed, would result in detrimental consequences for the employer or other persons (Labour Code, Art. 103(3)).

If confidentiality rules are breached, the employer can sanction the employee according to the labour law. Competition rules may be applied when the holder of the confidential information takes action based on unfair competition against an undertaking that utilizes the information unfairly obtained with the assistance of the employee.

#### Special rules regarding patents and copyright

Based on the nature of information, one must differentiate between fact and data on the one hand, and knowledge on the other. If the employee creates a service invention, or service work (protected by copyright) the inventor/author shall notify the employer of any service or employee invention immediately following its creation (Art. 11 of the Patent Act, and Art. 30 of the Copyright Act). In case of service inventions the employer can either decide to file a patent application, or to keep the invention secret and exploit it as trade secret provided that the patentability of the invention on the date of receipt of the notification is acknowledged by the employer.

It is unequivocally unlawful if the information is provided during the labour relationship. Situations where the employee utilizes information when employed by another undertaking or starts business activities himself/herself, shall be examined by taking into account all circumstances of the case. It shall be emphasized that the utilization of the general knowledge of a professional at a new workplace can not be restricted by its nature, since the opposite opinion would infringe the principle of the freedom to be employed (BH 1995.231). This knowledge is "in the brain of the employee", whereas it is prohibited to copy data qualifying as business secret. The fact that the employees have transferred the intellectual knowledge obtained during their work into the company founded by them, may not be per se objected (BH 1997.407). If the employer wishes to restrict the utilization of information, it may conclude a so-called non-compete agreement with the employee, which may prohibit e.g. employment at a competitor, or the starting of an undertaking pursuing the same business activity as the former employer. The non-compete obligation can be imposed in exchange for appropriate consideration only and may not last for more than three years from the termination of the employment relationship [Labour Code, Art. 3(6)]. Please note that from July 1, 2012. a new Labour Code will entry into force in Hungary. The non-compete clause will change so that the non-compete obligation may not last for more than 2 years (see Art. 228 of the Act No. I of 2012 on the Labour Code).

b) According to the provisions mentioned above non-compete and non-disclosure clauses can be included in an employment contract. Art 103(3) mentions amongst protected information special trade secrets (business secrets) and other information which are of fundamental importance. However, both types of protected information may be subject of non-disclosure clauses of employment contracts and are generally enforceable.

Example of non-disclosure contractual clause:

#### Non-disclosure of Confidential Information

1 The Employee shall neither during her/his employment nor at any time (without limit) after the termination thereof, directly or indirectly without the prior written consent of the Employer

1.1 use for her/his own purposes or those of any other person, company, business entity or other organization whatsoever; or

1.2 disclose to any person, company, business entity or other organization whatsoever any trade secrets and confidential information relating or belonging to the Employer or the Associated Companies, including but not limited to any such information relating to customers/partners, prospective customers/partners, customer/partner and prospective customers/partners lists or requirements, price lists or pricing structures, marketing and sales information, business plans or

dealings, employees or officers, financial information and plans, designs, formulae, product lines, software, research activities, processes, systems, schedules, any document marked "Confidential", or any information which the Employee has been told is confidential or which he/she might or should if acting with due care reasonably expect the Employer would regard as confidential, or any information which has been given to the Employer or any Associated Company in confidence by customers, suppliers or other persons.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

Generally, we are of the view that civil remedies are more favorable for the right-holder who wishes to commence legal proceeding for any form of trade secret infringement. The duration of criminal proceedings is longer; due to the criminal law regime there are legally relevant facts to be proven in order to commence criminal procedure; and the right holder has no control over the case.

On the other hand, possible advantage of criminal procedure is that it may be less expensive for the right holder.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

Non-disclosure and non-use agreements are effective means for protecting and enforcing trade secrets in Hungary. On the one hand, such agreements declare and evidence the existence of trade secrets, and on the other hand, imply the fulfillment of an important prerequisite, namely that the holder of the trade secret made reasonable efforts to preserve secrecy. These agreements emphasize the importance of non-disclosure, and act as a deterrent to any party who might consider deliberate disclosure. Apart from the holder of the trade secret, a non-disclosure or non-use agreement may also serve the interests of the recipient. Such agreements clearly delineate recipient's rights and obligations in respect to confidential information.

Further practical solutions may be having issued internal rules of data safety and protection, indication of confidentiality on data carriers, physical separation or seclusion of them, operation of a communication system that minimizes access to and "leaking" of trade secrets, as well as control and restriction of such system (e.g. restricted to internal staff, exclusion of visitors, business partners) and backups in order to prevent loss of data.

13. With regards to non disclosure and non use agreements:

(w) Are they effective and enforceable in your jurisdiction?

(x) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

(y) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

(a) See answer to question 12 above.

Non-disclosure and non-use agreements have a significant importance for inventions, utility models and designs. A prior disclosure under such an agreement is not novelty destroying, while disclosures not secured by such agreements usually qualify as making the intellectual product public, even in the case of a very limited number of recipients. These agreements secure for the inventor/applicant the ability to disclose the invention, utility model or design, to necessary parties, without compromising novelty before filing the application.

(b) Court precedents show that competition law prevails with regard to enforcing trade secrets. However, if a violation occurs, non-disclosure and non-use agreements work to the advantage of the holder of the trade secret in court proceedings (e.g. Decisions of the Supreme Court Nos. Pfv.IV.21.107/2007/5 and Pfv.IV.20.757/2008/15; Decision of the Court of Appeal of Budapest No. 8.Pf.20.027/2009/5).

(c) US doctrine of inevitable disclosure is unknown under Hungarian law. However, an employee has a duty of non-disclosure by law with regard to trade secrets and other sensitive information learned during the employment (Art. 103(3) of the Labour Code). This duty remains even after the end of the employment, so no separate unilateral imposition is necessary.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

I.

If infringement occurred in contractual relationship, where parties have prorogated exclusive jurisdiction, these provisions shall apply regarding to the litigation commencement.

II.

If parties have not prorogated exclusive jurisdiction, or the infringement occurred in non-contractual relationship following rules shall apply:

II.1. In the case that the foreign jurisdiction is EU Member State, litigation would be actionable in Hungary, if:

- defendant is domiciled in Hungary [general provisions under Art. 2.1. of Council Regulation no. 44/2001 (hereinafter: "Brussels I.)"]
- misappropriation or unlawful use of trade secrets took place in Hungary. (special jurisdiction under Art. 5.3. of Brussels I.)

II. 2. In the case that the foreign jurisdiction involved is not an EU Member State, according to Hungarian private international law rules, litigation would be actionable in Hungary, if:

- defendant is domiciled in Hungary (general rule)
- in case of non-contractual liability, if the harmful event occurred in Hungary, or the consequence occurred in Hungary.(Articles 55. and 56/A of the Regulation no.13. of 1979 on the Private International Law)

III.

In case of legal proceedings initiated on the basis of Art. 4. of the Competition Act, the Hungarian courts (county courts) have exclusive jurisdiction to proceed.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

Regarding the enforcement of foreign judgments we have to differentiate between EU Member States and other countries.

- I. If the foreign judgment was issued in Member State, Brussels I. Regulation shall apply, where the general rule is that a judgment issued in a Member State shall be recognized in the other Member State without requiring special procedures (Art. 33).

However, according to the provisions laid down in the Brussels I. Regulation (Art. 34), judgment shall not be recognized in Hungary in the following cases:

- if the judgment is contrary to public policy;
- if the judgment was given in the absence of defendant;
- if it is irreconcilable with a judgment given in a dispute between the same parties in the Member State where recognition is sought,
- if it is irreconcilable with an earlier judgment given in another Member State or in a third State involving the same cause of action and between the same parties, if the earlier judgment fulfils the conditions necessary for its recognition in the Member State addressed (Art. 34).
- Furthermore, judgments shall not be recognized in cases where Hungary has exclusive jurisdiction (Art. 35).

- II. If foreign judgment was issued in non-European country, recognition and enforcement shall fall under the scope of the Regulation no.13. of 1979 on the Private International Law.

Judgment issued in foreign country shall be not recognized, if:

- Hungary shall have exclusive jurisdiction [Art. 71 (1)]; and if:
- judgment is contrary to public policy or
- judgment was given in the absence of the defendant or
- judgment was based on a procedure that seriously violates Hungarian procedural rules or
- in case of *lis pendens*, that is the a procedure on the same grounds between the same parties has been commenced in Hungary or
- Hungarian court already issued final judgment involving the same cause of action between the same parties [Art. 72 (1)].

If the issued judgment does not fall under the above prohibitory rules, it shall be recognized and shall be enforceable, provided that (i) the country which issued the judgment had jurisdiction according to its conflict of law rules or to Hungarian private international law, (ii) the given judgment is final and binding under the laws of that jurisdiction and (iii) there is reciprocity between the foreign country and Hungary.

A general guide issued by the Ministry of Justice summarized bilateral agreements on reciprocity between Hungary and third countries (8001/2001 Notice of the Ministry of Justice). However, it has been repealed as of January 1, 2012 by the Act No. CXXX of 2010 on the Legislation Process with the obligation to issue a new general guide. At the time of finishing this report no new notice on this subject has been published yet.

## Ireland

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

- 1.1 There is no specific legislation in Ireland relating to the protection of trade secrets. Trade secrets are protected by the law of contract, by the law of equity and by the law of tort.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

N/A

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Trade secrets are protected by the law of contract, equity and tort. While there is so specific legislation in relation to the protection of trade secrets, however, a number of provisions may be invoked to either secure protection for trade secrets or to deter the infringement of trade secrets. Protecting the trade secret by way of a recognised intellectual property right is one way to do this. By doing so, it ensures that trade secrets have parallel protection under for example patent law and common law pursuant to a breach of confidence action. However, trade secret protection might be lost if a patent is registered because patent applications are published and the duration of protection lasts for only 20 years.

The following are the most pertinent legislative provisions:

- (a) Patents Act 1992 (as amended);  
(b) Intellectual Property Law.

*Section 9:*

*"(1) An invention shall be patentable under this Part if it is susceptible of industrial application, is new and involves an inventive step".*

- (a) Copyright and Related Rights Act 2000;



(b) Intellectual Property Law.

Section 17:

*"17.—(1) Copyright is a property right whereby, subject to this Act, the owner of the copyright in any work may undertake or authorise other persons in relation to that work to undertake certain acts in the State, being acts which are designated by this Act as acts restricted by copyright in a work of that description.*

*(2) Copyright subsists, in accordance with this Act, in—*

- (a) original literary, dramatic, musical or artistic works,*
- (b) sound recordings, films, broadcasts or cable programmes,*
- (c) the typographical arrangement of published editions, and*
- (d) original databases.*

*(3) Copyright protection shall not extend to the ideas and principles which underlie any element of a work, procedures, methods of operation or mathematical concepts and, in respect of original databases, shall not extend to their contents and is without prejudice to any rights subsisting in those contents.*

*(4) Copyright shall not subsist in a work unless the requirements for copyright protection specified in this Part with respect to qualification are complied with.*

*(5) Copyright shall not subsist in a work which infringes, or to the extent that it infringes, the copyright in another work.*

*(6) Copyright shall not subsist in a work which is, or to the extent that it is, a copy taken from a work which has been previously made available to the public.*

Section 18:

*18.—(1) Copyright shall not subsist in a literary, dramatic or musical work or an original database until that work is recorded in writing or otherwise by or with the consent of the author.*

*(2) References in this Part to the time at which, or the period during which, a work referred to in subsection (1) is made are to the time at which, or the period during which, that work is so recorded.*

*(3) Copyright may subsist in a work that is recorded and may subsist in the recording of a work".*

(a) Copyright and Related Rights Act 2000;

(b) Intellectual Property Rights – Database Right.

Section 321:

*"321.—(1) A property right to be known and in this Part referred to as the "database right" subsists, in accordance with this Part, in a database where there has been a substantial investment in verifying or presenting the contents of the database".*

(a) Criminal Justice (Theft and Fraud Offences) Act 2001;

(b) Criminal Law - Unlawful use of computer.

Section 9:

*"9.—(1) A person who dishonestly, whether within or outside the State, operates or causes to be operated a computer within the State with the intention of making a gain for himself or herself or another, or of causing loss to another, is guilty of an offence.*

*(2) A person guilty of an offence under this section is liable on conviction on indictment to a fine or imprisonment for a term not exceeding 10 years or both".*

(a) Criminal Damage Act 1991;

(b) Criminal Law – Unauthorised Accessing of Data.

Section 5:

"5.—(1) A person who without lawful excuse operates a computer—  
(a) within the State with intent to access any data kept either within or outside the State, or  
(b) outside the State with intent to access any data kept within the State,  
shall, whether or not he accesses any data, be guilty of an offence and shall be liable on summary conviction to a fine not exceeding £500 or imprisonment for a term not exceeding 3 months or both.  
(2) Subsection (1) applies whether or not the person intended to access any particular data or any particular category of data or data kept by any particular person".

- (a) Data Protection Acts 1988 and 2003;
- (b) Information Technology and Privacy Law.

"2.—(1) A data controller shall, as respects personal data kept by him or her, comply with the following provisions:  
(a) the data or, as the case may be, the information constituting the data shall have been obtained, and the data shall be processed, fairly  
(b) the data shall be accurate and complete and, where necessary, kept up to date,  
(c) the data—  
(i) shall have been obtained only for one or more specified, explicit and legitimate purposes,  
(ii) shall not be further processed in a manner incompatible with that purpose or those purposes,  
(iii) shall be adequate, relevant and not excessive in relation to the purpose or purposes for which they were collected or are further processed, and  
(iv) shall not be kept for longer than is necessary for that purpose or those purposes,  
(d) appropriate security measures shall be taken against unauthorised access to, or unauthorised alteration, disclosure or destruction of, the data, in particular where the processing involves the transmission of data over a network, and against all other unlawful forms of processing".

Trade secrets can also be protected in Equity, Tort and Contract. Breach of Confidence is the most important in terms of protecting trade secrets. It is a broad common law principle that a person who has received information in confidence cannot take unfair advantage of it. That person must not make use of it to the prejudice of the person who gave the information without obtaining their consent. Generally, Irish law imposes a duty of confidentiality in two situations relating to trade secrets, namely:

- (a) The protection of trade secrets in non-employment cases;
- (b) The protection of trade secrets in the course of employment.

However, in both situations, the relationship between the parties must be one which imposes an obligation of confidence regarding the information which has been imparted and the information must be regarded as confidential or in this case a trade secret. Once it is established that an obligation of confidentiality exists then the person to whom it is given has a duty to act in good faith and only use the information for the purpose for which it was intended.

An obligation to keep information confidential may either be; (i) imposed by contract; (ii) implied because of the circumstances of the disclosure; and (iii) implied because of the special relationship between the parties concerned i.e. employer and employee.

A trade secret can only be protected for as long as it retains its confidential nature. In theory, this could be indefinitely.

In terms of the employment relationship, in general, in Ireland, employees who acquire trade secrets in the course of their employment hold the trade secrets for the benefit of their employers and are not entitled to use or disclose them without the express or implied consent of the employer.

The obligation of an employee to hold trade secrets for the benefit of the employer can be contained either in the express terms of an employment contract or if the employment contract is silent on the point, it can be implied as part of the duty of good faith and fidelity which every employee owes to his employer. Trade secrets remain protected by the duty of fidelity which continues despite the termination of the contract of the employment.

However, it is of greater benefit if such obligations are contained within an employment contract. It can also be implied in equity as part of the fiduciary duties owed by an employee to an employer.

Where there are difficulties in identifying trade secrets with precision so as to enable a proper injunction to be granted by the Court prohibiting an employee utilising trade secrets, the proper way for employers to protect themselves is by exacting covenants from their senior employees restricting their field of activity after they have left their employment and not by asking the Court to extend the general equitable doctrine of duty of fidelity to prevent breaking confidence beyond all reasonable bounds.

There are however limits on the Law of Confidence. Those limits can be summarised as follows:

- (a) Confidential information that is provided properly and necessarily to the European Commission may become available to third parties who intervene in proceedings challenging the Commission's blocking of a proposed merger (*Gencor Ltd v EC Commission (Case T-102/96) [1999] ECR II-753*).
- (b) The Courts may not prevent disclosure of information in documents read, or deemed to have been read, in open court solely because the parties had entered into a confidentiality agreement in respect of it (*SmithKline Beecham Biologicals SA v Connaught Laboratories Inc [1999] 4 All ER 498*).
- (c) Foreign law issues where, for example, one of the parties or the subject matter of the agreement is not wholly within Ireland (such as US tax shelter rules, where the confidentiality obligation restricts disclosure of the tax treatment of an arrangement), may override confidentiality obligations.
- (d) Confidentiality can be outweighed by the public interest in the disclosure of certain materials or information, for example, where it reveals details of crime or torts committed by the provider of the information (*Lion Laboratories Limited v Evans [1984] 1 All ER 417*).

The cases from the English Courts mentioned above and in this document whilst not legally binding in Ireland do nevertheless have persuasive authority given that England is a Common Law jurisdiction as is Ireland.

As regards other remedies under Tort, the tort of intentionally inducing a breach of contract treats contractual rights as a species of property deserving of special protection not only by giving a right of action against the party who breaks his contract but by imposing secondary liability on the person or entity who procures him to do so. In *Mainstream Properties Limited v Young and Others 2007 IRLR 608*, the House of Lords

reassessed the law in this area and held that in order to be liable for inducing a breach of contract, one must know that one is inducing a breach of contract. It is not that one knows that one is procuring an act which, as a matter of law or construction of the contract, is a breach. One must actually realise that it will have this effect.

A further tort that may be relevant is the tort of conspiracy. The tort of conspiracy is the subject matter of a detailed analysis in the Irish case of *Taylor v Smith* 1991 1 I.R. 142 at page 171 per McCarthy J:

*"It is entirely logical that what is actionable when done by unlawful means such as procuring a breach of contract, is actionable against an individual, even though his purpose be solely one of self interest; it should not cease to be actionable when done in combination by a group with a like purpose.... if conspiracy be inchoate it is difficult to see how it can have caused damage, a necessary ingredient of every tort. If it be executed, then the cause of action derives from the execution whether it be because of the unlawful nature of the act or the unlawful means used..."*

In the course of his judgment, Mr Justice McCarthy cited with approval the following passage from *McGowan v Murphy* 10 April 1967, S.C. unreported when Mr Justice Walsh stated:

*"If the Defendants combined to procure the expulsion of the Plaintiff from the trade union and in doing so had as their sole or main purpose or object the injuring of the Plaintiff and the Plaintiff suffered damage by reason of it, the Defendants would be guilty of the actionable tort of conspiracy even if the expulsion was not in breach of the rules of the union. To that extent a combination of persons in such circumstances is in a less favoured position than an individual doing the same act... if however the real purpose of the combination was not to injure the Plaintiff but to defend the interests of the trade union by maintaining discipline then no wrong was committed and no action will lie even though damage to the Plaintiff resulted provided the means used were not in themselves unlawful".*

In summary, an action may lie in the tort of conspiracy if there had been an agreement that had been predicated upon procuring the breach of contract or breach of the trade secret and damage resulted.

There is no specific definition of a "trade secret" in Ireland. The Courts have regard to many different factors in determining whether something is a trade secret. The English Court of Appeal judgment in *Faccenda Chicken Ltd v Fowler* [1987] 1 Ch. 117(C.A.) is extremely instructive in suggesting various factors which should be taken into account in deciding whether a particular piece of confidential information also constitutes a trade secret. Neil LJ opined that the following factors were worthy of note:

1 the nature of the employment and whether confidential information was habitually handed by the employee. If so, it may suggest the existence of a trade secret;

2 the nature of the information and whether it, of itself, suggests the existence of a trade secret;

3 whether the employer impressed on the employee the confidentiality of the information; and

4 whether the relevant information could be easily isolated from any other information which the employee would be free to use or disclose.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Although often dealt with in conjunction with intellectual property rights, leading commentators in Ireland have stated that trade secrets should not be considered an intellectual property right. Lavery (1996) describes the action for infringement of a trade secret as one based in a breach of confidence in Ireland.<sup>88</sup> Lavery states that this action 'rests in the composite jurisdiction of equity and contract, and the courts will intervene to protect confidential information in both jurisdictions in furtherance of the principles of upholding good faith and preventing unconscionable behaviour.'<sup>89</sup>

*European Communities (Enforcement of Intellectual Property Rights) Regulations 2006 (Irish Statutory Instrument Number 360 of 2006)*

The Enforcement Regulations transposed into Irish law Articles 5, 8, 10 and 15 of Council Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, being those Articles that were not already in effect under existing Irish legislation at the time.

Article 1 of Council Directive 2004/48EC states:

*"For the purposes of this Directive, the term "intellectual property rights" includes industrial property rights".*

Article 2 states that the Directive applies to any infringement of intellectual property rights "as provided for by Community law and/or by the national law of the Member State concerned".

Recital 13 provides that it is necessary to define the scope of this Directive as widely as possible in order to encompass all the intellectual property rights covered by Community provisions in this field and/or by the national law of the Member State concerned.

Section 2(2) states that "These Regulations apply in respect of civil proceedings concerning an infringement of an intellectual property right".

While "trade secrets" do not have specific legislative protection, trade secrets and the protection of same would generally be considered to be an intellectual right in Ireland.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

All types of secret information, which is of commercial value, can be protected.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and

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<sup>88</sup> Paul Lavery, *Commercial Secrets – The Action for Breach Of Confidence in Ireland* (Round Hall Sweet & Maxwell, Dublin 1996).

<sup>89</sup> Ibid, 50.

common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

Generally the law works well in this area. It is not based on statute law and has developed organically to meet the needs of industry and commerce. This is the case both in relation to the law per se but also in relation to the remedies available. There is a danger that threats of actions for breach of confidence can be abused in order to deter competitors from taking on an ex-employee but the need for proper particulars and clear evidence in order to pursue proceedings should prevent unmeritorious actions. However the need for clear evidence and the fact that the court needs to have detailed particulars of the information sought to be protected can make enforcement expensive.

A harmonised European regime would be feasible and positive and may bring more clarity to the area.

There are no current proposals for specific legislation to be introduced in Ireland to address this area

There are no provisions or practices including business or market practices to protect trade secrets that are peculiar to Ireland

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

In addition to cases decided by the Irish Courts, Ireland as a Common Law jurisdiction would also look to English law cases for authority. While cases decided by the Courts of England and Wales are not legally binding in Ireland, they do nevertheless have persuasive authority given that England is a Common Law jurisdiction.

**Gartside v Outram [1856] 26 LJ 113**

The Plaintiff sought to prevent an employee revealing confidential information about the Plaintiff's commercial dealings. The Court found that although an employee was prohibited from disclosing certain information relating to his employer's transactions this prohibition did not extend to the disclosure of "iniquity". In this case the information related to dealings by the Plaintiff where he had cheated his customers and its disclosure could not be registered.

**Saltman Engineering Co Limited v Campbell Engineering Co Limited [1948] 65 RPC 203**

The Defendant (which had no contractual relationship with the Plaintiff) used the Plaintiff's confidential drawings in order to make tools for itself. A duty of confidence does not depend on a contractual relationship between the Plaintiff and Defendant but is based on a duty of fairness which is independent of contract.

**Mustad v Dosen [1963] 3 All ER 416**

Information that was confidential but was subsequently published in a patent specification by the owner of the trade secret could no longer be protected.

**Printers & Finishers v Holloway [1964] 3 All ER 54 [1965] WLR 1**

This case related to process technology. An employee has a duty not to use confidential information belonging to his employer as part of his express or implied duty of good faith. His obligations post-employment are more restricted and do not extend to all confidential information. However the ex-employee must respect real trade secrets post-employment.

**Cranleigh Precision Engineering v Bryant [1964] 3 All ER 289 [1966] RPC 81**

The Defendant made use of information of which he had gained knowledge of the Plaintiff's design whilst a director. Notwithstanding the fact that the information had become public the judge granted an injunction. This was distinguished from *Mustad v Dosen* (supra) on the grounds that the information became public because of the Defendant's default.

**Seager v Copydex (No. 1) [1967] 1 WLR 923**

Abortive license negotiations gave rise to an obligation of confidence even though the confidentiality of information provided during discussions was not mentioned.

**Terrapin v Builders' Supply Company [1967] RPC 375**

The Defendant had gained a head start by gaining unauthorised access to design drawings for portable buildings. Although the confidential information was subsequently published by the sale of the buildings, an injunction was granted for a period to compensate for his head start.

**Coco v Clarke [1969] PRC 41**

Defendant alleged to have used Plaintiff's technical information to make moped engines. The Plaintiff was not apparently manufacturing itself. The judge summarises what he sees as the essential requirements for a successful breach of its confidence claim:

- (1) the information must have the quality of confidence about it;
- (2) the information must be imparted in circumstances importing an obligation of confidence;
- (3) there must be unauthorised use of that information to the detriment of the person communicating it.

(N.B. There is room for some discussion as to whether the second requirement is necessary as stated by the judge in this case.)

**Initial Services v Putterill [1969] 1 QB 396**

This also applies *Gartside v Outram* to unlawful anti-competitive activity.

**Seager v Copydex (No 2) [1969] 2 All ER 718**

Defendant misused information relating to a carpet gripper which was communicated during negotiations and incorporated the information in a patent specification.

An award of damages equivalent to the capital value of the information may be appropriate in a case where the claimant was willing to license the defendant to use the information.

**Franklin v Giddins [1978] Qd.R 72 (Australia)**

Trade secrets can be embodied in genetic material - in this case the root stock for a new variety of nectarine trees.

**Hynes v Garvey [1978] I.R. 174 (Ireland)**

Professionals (doctors) must keep their clients affairs secret.

**Fraser v Thames Television [1983] 2 All ER 101**

A simple commercial idea can be protected. In this case the idea was a format for a TV programme.

**Francome v Mirror Group Newspapers Limited [1984] 2 All ER 408**

The newspaper sought to publish a story that a horse racing jockey was corrupt. The information had been obtained by phone tapping and was confidential. The Court referred to the principle in *Gartside v Outram*. However the disclosure of improper behaviour which is outside the prohibition may only be the "proper authority" such as the police or a regulatory body. In the case of suspected wrongdoing the confidence can then continue to be respected if the suspicions prove unfounded.

**House of Spring Gardens v Point Blank Limited [1984] I.R. 611 (Ireland)**

In what is one of the leading Irish cases on this subject matter, this case concerned the misuse of confidential information relating to the design and manufacture of bullet proof vests. The case was not based on contract but on equitable principals. The Court came to the conclusion that the defendants had abused the plaintiff's confidence and awarded, inter alia, an account of profits against them.

**Faccenda Chicken v Fowler [1985] 1 All ER 724 [1985] FSR 105**

This case relates to the obligations of an ex-employee in relation to commercial information relating to a business of rearing and selling chickens. The Court of Appeal reaffirmed the principles set out in *Printers and Finishers v Holloway* as to the obligations of an ex-employee. Where the parties are or have been linked by a contract of employment the obligations of the employee during and after employment are by the express or implied terms of that contract. In particular although in some cases sales and pricing information may be protectable, in this case it did not have the necessary degree of confidentiality. The Court listed a number of factors to be taken into account in coming to this conclusion.

**English & American Insurance Co Limited v Herbert Smith & Co [1988] FSR 232**

An individual who has received confidential information innocently has a duty not to disclose or make use that confidential information as soon as he recognises it as such. In this case a law firm received by mistake documents belonging to the other side in litigation.

**Attorney General v Guardian Newspapers (No 2) [1990] 1 AC 109**

The Claimant sought to prevent newspapers publishing information which had already been published by US newspapers as a result of a breach of confidence by an ex-



member of the security services. No injunction was granted and there was some discussion as to whether there should be power to do so in such circumstances. There was some discussion of the significance of the Terrapin and Cranleigh "spring board" cases without coming to any clear conclusion.

**Kehoe v McCaughan and McCaughan Paper Limited, Unreported, High Court, Lardner J., March 9, 1993 (Ireland)**

The plaintiffs were granted an interlocutory injunction against the defendants (former employees) preventing them from seeking to supply or contracting to supply standard newsprint to newspapers and trading concerns, or customers of the plaintiffs.

**Ryan v Capital Leasing, unreported, High Court, Lynch J, April 2, 1993 (Ireland)**

The issue to be determined was whether certain information was in the public domain. The information was held to be in the public domain and not capable of protection.

**Private Research Limited v Brosnan [1996 1 I.L.R.M. 27. (Ireland)**

While an injunction was refused by the Court on the balance of convenience preventing the defendant who was a former employee of the plaintiff from soliciting the plaintiff's customers, the Court did hold that there was an arguable case that the identity of the plaintiff's customers was confidential information despite the fact that each name could be located from public sources.

**Ocular Sciences v Aspect Vision Care [1997] RPC 289**

The claimant's action related to alleged misuse of confidential information in contact lens manufacture.

The need for proper particulars of breaches of confidence emphasised to avoid the action being used to harass the defendant.

Review of springboard cases - doubt as to whether injunctions should be granted where the information has become public knowledge.

Injunctions may be granted to prevent sale of "derived products" where substantial use has been made of the confidential information in their manufacture although the products do not actually incorporate the information. In this case the judge was not prepared to injunct the defendants from selling or manufacturing but was prepared to grant an injunction preventing publication of the claimant's information and award damages.

**The Pulse Group Limited & Another v O'Reilly & Another [2006] IEHC 50 (Ireland)**

The Court agreed with the leading case of *Faccenda Chickens Limited -v- Fowler* [ 1987] 1 Ch 117 where the English Court of Appeal came to the view that a covenant would be implied into a contract of employment to the effect that an employee was bound by a duty of good faith to his employer not to use or disclose, for the duration of his employment, confidential information gained in the course of the employment, and that furthermore such an employee would be bound by an implied term not to use or disclose, either during his employment or thereafter, information which was not merely confidential, but which was properly to be described as a trade secret. However it is clear from that authority that no term will be implied into a contract of employment which precludes the employee, after his employment has ceased, from the disclosure of confidential information short of a trade secret. Therefore the Court held in summary that the law was clear. In the absence of an

express term in a contract of employment the only enduring obligation on the part of an employee after his employment has ceased is one which precludes the employee from disclosing a trade secret.

### **Verstergaard v Bestnet [2009] EWHC 1456**

Where the claimant has established that the defendant has acted in breach of an equitable obligation of confidence and that there is a sufficient risk of repetition, the claimant is generally entitled to an injunction save in exceptional circumstances.

Doubt expressed as to whether springboard injunctions should be granted but if so they should be for a limited period.

### **Vercoe v Rutland Fund Management [2010] EWHC 424**

Where a duty of confidence is based solely on a contractual relationship, compensation should be assessed as damages on a contractual basis. The availability of an account of profits is limited to "true" breach of confidence cases.

### **Koger Inc., & Another –v- O'Donnell & Others [2010] IEHC 350 (Ireland)**

In the proceedings the two plaintiffs claimed that the defendants had been in breach of copyright and breach of confidence. There was a claim for damages or, at the plaintiffs' option, an account of the profits of the defendants and each of them in respect of copyright infringement and the plaintiffs also claimed relief in respect of an allegation of breach of confidence and/or abuse of confidential information and/or trade secrets by the defendants and each of them. There was also a claim for damages for conspiracy, it being alleged that the defendants and each of them had conspired to breach confidence and/or abuse the confidential information of the plaintiffs and each of them. There was a separate claim against the first named defendant for damages for inducing or procuring breach of contract and against the fourth named defendant for damages for wrongful interference with the economic interests of the plaintiffs or either of them together with a claim of damages for inducing or procuring breach of contract. The Court held that the plaintiffs had failed to identify the use or misuse of any identifiable trade secrets. No claim was made that the defendants used or applied skill, expertise know-how and general knowledge gained during the course of their employment. Indeed, such a claim could not succeed. The Court held that there was clear authority for the fact that protection cannot legitimately be claimed in respect of skill, expertise, know-how and general knowledge acquired by an employee as part of his job during the course of his employment, even though it might equip him as a competitor of his employer.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

### **BOOK**

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## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

Three elements are required for a successful claim in breach of confidence, as set out in *Coco v A N Clark (Engineers) Limited [1968] FSR 415*:

- (a) Does the information have the "necessary quality of confidence";
- (b) Was the information subject to an obligation of confidence;
- (c) Has the person who received the information misused it.

In order to bring an action for breach of confidence of a trade secret, it must be shown that a trade secret existed. In the context of an employment relationship, Lavery sets out the factors that may be considered, in an objective test to determine if information is a trade secret, as follows:

- (i) the nature of the employment;*
- (ii) the nature of the information;*
- (iii) whether the employer impressed on the employee that the information was confidential;*
- (iv) the employer's attempts in general to ensure the confidentiality of the information;*
- (v) whether the relevant information was distinguishable from other non-protectable information;*
- (vi) the extent to which the information was known outside the firm;*
- (vii) the value of the information to the employer;*
- (viii) the ease or difficulty with which the information may be legally duplicated; and*
- (ix) ..., the ease with which the information in question is retained in the employee's memory.<sup>90</sup>*

Secondly, an obligation of confidence must first be shown. The obligation may be shown to arise in the following situations:

- (a) the express or implied terms of a contract;
- (b) the relationship between the parties, where such relationship has historically required the parties to respect the confidentiality of information disclosed; or
- (c) where information is disclosed for a limited purpose and the recipient either knows or ought to know that this is the case (presumed to be an objective test based on English Case law).<sup>91</sup>

Where an obligation is lacking between the parties, an action may be taken against a

<sup>90</sup> Paul Lavery, *Commercial Secrets – The Action for Breach Of Confidence in Ireland* (Round Hall Sweet & Maxwell, Dublin 1996) 153-179.

<sup>91</sup> Paul Lavery, 'Confidential Obligations' (1997) 4(7) CLP 164.

third party where the third party receives information with actual or constructive knowledge that it is tainted by a breach of confidence,<sup>92</sup> or against a surreptitious acquirer of information who 'is proved to have used confidential information, directly or indirectly obtained from a plaintiff, without the consent, express or implied, of the plaintiff, he will be guilty of an infringement of the plaintiff's rights'.<sup>93</sup>

There are no statutory rules for determining who is the first owner of the trade secret or to whom an obligation of confidence is owed.

In terms of seeking interlocutory relief, the Irish courts have laid down various tests based on principals from the English House of Lords decision in *American Cyanamid Company v Ethicon Limited* (1975) AC 396, as adopted by the Supreme court in *Campus Oil Limited v Minister for Industry and Energy* (2) 1983 IR 88. Briefly summarising these principles, they are as follows:

- (a) That there is a serious issue to be tried;
- (b) That damages are not an adequate remedy; and
- (c) Whether the balance of convenience favours the granting or the refusal of interlocutory relief.

## 2. What civil remedies are made available? Are the remedies cumulative?

The law relating to breach of confidence covers a very wide range of factual situations and therefore the remedies can vary depending upon the particular facts of the case.

In general, the remedies for breach of confidence action are an injunction to restrain the breach of trade secret information and damages or an account of profits. In *Nu glue Adhesives v Burgess Galvin*, 23 March 1982, HC (unreported), McWilliam J found that if there had been an abuse of confidential information, damages would be limited to an amount equal to six weeks' salary for a chemist. He considered that the defendants could have come up with the formula themselves within a six-week period.

Where the Court is asked to award an injunction, that injunction must be capable of being framed with sufficient precision to enable the enjoined party to know what it is he may not do (*Lawrence David Ltd v Ashton* [1991] 1 All ER 385).

In *Terrapin v Builders' Supply Co (Hayes) Ltd* [1960] RPC 128, Roxburgh J defined what he called the 'springboard' formula. He said:

*'As I understand it, the essence of this branch of the law, whatever the origin of it may be, is that a person who has obtained information in confidence is not allowed to use it as a spring-board for activities detrimental to the person who made the confidential communication, and spring-board it remains even when all the features have been published or can be ascertained by actual inspection by members of the public. The possessor of such information must be placed under a special disability in the field of competition in order to ensure that he does not get an unfair start'.*

Roxburgh J granted the Plaintiff an injunction.

The Courts, however, have found difficulties with the 'springboard' doctrine and have in some instances suggested that rather than an injunction being granted, the correct course is to compensate the plaintiff in damages (*Coco v A.N.Clark (Engineers) Ltd* [1969] RPC 41).

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<sup>92</sup> Ibid.

<sup>93</sup> *Saltman Engineering Co. Ltd v Campbell Engineering Co. Ltd* (1948) 65 RPC 203, 211.

In some cases, in order to overcome the advantage gained by an employee in using confidential information, the court will impose an injunction for a period of time that it considers sufficient to enable a member of the public to come up with the formula themselves.

Additional remedies are available in the form of an Order for delivery up or destruction of the trade secret information.

Damages and an account of profits are mutually exclusive remedies. Each may be available in addition to an injunction or Order for delivery up or destruction.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

A Plaintiff in Ireland may seek an Anton Pillar Order from the Irish courts.<sup>94</sup> An Anton Pillar Order is a Court Order that provides the right to search premises and copy evidence (including computer systems) without prior warning. This prevents the possible destruction of evidence had prior warning been given.

To be awarded this Order the party seeking it will have to show that there is an extremely strong prima facie case. In addition, very clear evidence that the defendants have in their possession incriminating documents or materials, along with a real danger that the incriminating material will be destroyed if the defendant is forewarned must be shown. Furthermore, the party must show a serious actual or potential damage to the party by virtue of the infringement of his rights.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

- (a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?
- (b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?
- (c) What is the average duration and cost of proceedings from initiating the claim to final judgment?
- (d) Are cases involving technical trade secrets heard by specialist judges?
- (e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?
- (f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?
- (g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

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<sup>94</sup> *House of Spring Gardens v Point Blank Ltd* [1984] IR 611.

In general there is no real problem in enforcing rights in trade secrets in Ireland. However actions tend to be expensive because of the need to prepare detailed evidence.

- (i) It is possible to obtain interim injunctions and search orders permitting the plaintiff to search and take into custody materials containing the confidential information.
- (ii) Depends on the nature of the case and the Order of the Court.
- (iii) This varies enormously depending on the complexity of the case. It could be a matter of 6 months (should the matter be entered into the Commercial Court ( a specialist division of the High Court for high value claims and intellectual property matters)) or 12 to 18 months or several years depending on the speed at which the case is progressed. Because of the ability to ascertain the facts at an early stage many cases are settled without the need for a trial.
- (iv) No
- (v) The court can make a variety of orders ensuring that the secret information is not further disclosed. These include directions that documents containing secret information are not placed on an open court file, restricting the persons who have access to such documents and requiring such persons to observe confidentiality and having parts of the case heard in private.
- (vi) There are no statistics available in this regard.
- (vii) None.

##### 5. What defences are available to the defendant in a trade secrets action?

Possible defences are:

- (i) That the information is not and/or was not confidential at the time of any relevant disclosure or misuse. It may however still be possible to obtain an injunction (usually for a limited period) against a defendant where the information has become public as a result of the defendant's own conduct.
- (ii) That the information is not worthy of protection because it is not of sufficient importance. (Different standards apply to information gained by an employee in the period of employment and after such employment has ceased - see below.)
- (iii) That the Plaintiff has no legitimate interest in the protection of the information.
- (iv) That it would be against public policy to protect the information; for example if the information reveals the commission of a crime or other seriously improper conduct. In the latter case there may only be protection for the defendant to the extent that he has disclosed the information to the appropriate authority such as the police or the relevant supervisory body. The burden of showing that the disclosure was in the public interest generally lies with the defendant in the case of information in the possession of the government the burden of proof is upon the government to show that it is in the public interest not to publish the information.

##### 6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate

measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

The Courts have regard to many different factors in determining whether to grant protection and each case turns on its own facts.

7. As to award of damages:

- (a) What are the available options?
  - (b) What are the criteria to determine and calculate damages?
  - (c) Are punitive damages available for breach of trade secrets?
  - (d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?
- (a) The plaintiff usually has to choose either damages or an account of profits and cannot receive both. An injunction is usually available in addition to the award of damages/an account of profits. However, the grant of an injunction is discretionary and in some cases the Court may decide that an injunction is inappropriate.
- (b) Damages can be awarded either pursuant to the Lord Cairns Act (Chancery Amendment Act 1858) or under equity's inherent jurisdiction. The methods used by the Courts in assessing damages reflect the purpose for which the damages are awarded, which is to compensate the plaintiff for the loss he has suffered, after taking into account the individual facts of the case. There is no universal method of assessing damages and each calculation will depend on the facts of the case. The leading judgment on this issue is that of Seager v Copydex (No.2) ([1969] RPC 250) where Lord Denning used a conversion analogy to calculate the plaintiff's loss. This was a case where the plaintiff and the defendant were in negotiations for the sale of the plaintiff business. In that case, Lord Denning suggested three alternative scenarios:
- (i) If the information was "nothing special" and it was the sort of information which one could obtain by employing a consultant, then the damages to the plaintiff would be calculated on the basis of the fee which a consultant would charge for such information;
  - (ii) If the information could be classified as "something special", as for instance if it involved an inventive step or something so unusual that it could not be obtained by just going to a consultant, then the value would be that price which a willing buyer would pay a willing seller for the information;
  - (iii) Finally, if the information was regarded as being "very special", Lord Denning M.R. suggested that the value should be calculated on a royalty basis. As damages cannot be awarded by way of royalty, this would mean a lump sum calculated on the basis of a capitalization of the royalty.

On the facts of the case, Lord Denning M.R. decided that the information disclosed came within the second category, i.e. special information. His calculation of the value of the information was thus that which a willing buyer would pay to a willing seller.

- (c) Theoretically yes under equity's inherent jurisdiction. However, Irish Courts do not tend to favour punitive awards.
- (d) No such information available.



8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

N/A

9. Are the remedies identified for your jurisdiction also enforceable against:

- (a) A person who obtains trade secrets in good faith? and/or
- (b) A person who autonomously developed the same information?

(a) Yes. Innocent infringers may be enjoined but are unlikely to be liable for damages.

(b) No.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(w) While the employee is still employed?

(x) Once the employee has left his employment?

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Whilst employed an individual has a duty of good faith to his employer and will be bound to keep all confidential information secret. After the employment the Court will usually only offer protection to high-grade confidential information ("real trade secrets") and not day-to-day information however confidential. The factors that the Court will take into account in determining whether information should be protected after employment are:

the nature of the employment;

the nature of the information;

whether the employer impressed upon the employee the confidentiality of the information;

whether the information can be easily isolated from other information that the employee is free to use.

None of these factors is conclusive.

It may be possible to protect lower grade information after employment by imposing a suitable post-employment contractual restriction (otherwise known as a restrictive covenant).

One example of a contractual clause:

*"The Employee shall not, either during his employment, otherwise than in the proper course of his duties, or thereafter, without the consent in writing of the Company first being obtained, divulge to any person firm or company and shall during the continuance of this agreement use his best endeavours to prevent the publication or disclosure of*

*any confidential information of the Company; or*

*any of its trade secrets;*

*which may have come or may come to his knowledge during his employment.*

*For the avoidance of doubt trade secrets include the following:*

*[Set out the specific matters that the Company considers to be trade secrets as opposed to general confidential information]*

*This restriction shall cease to apply to information or knowledge which may (otherwise than by reason of the default of the Employee) become available to the public".*

Clauses that do not distinguish between general confidential information and real trade secrets may be wholly unenforceable post-employment - although there will be an implied obligation not to make use of real trade secrets post-employment in any event. It is suggested that the best way of protecting ordinary confidential information post-employment is by a clause restricting the employee from working for a competitor for limited period of time.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

As there is essentially no criminal liability for trade secrets in Ireland, clients are advised to only seek civil remedies depending on the circumstances.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

Agreements such as licenses, non disclosure agreements and non use agreements are commonly used in Ireland and are generally enforceable.

13. With regards to non disclosure and non use agreements:

(z) Are they effective and enforceable in your jurisdiction?

(aa) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

(bb) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

- (a) Yes
- (b) Contract law
- (c) No.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

Whether such litigation could be started in Ireland is governed by Council Regulation (EC) 44/2001.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

At European level, recognition and enforcement of judgments in civil and commercial matters (which would include trade secrets) between parties in different EU member states (save for Denmark) is governed by Council Regulation (EC) 44/2001. This regulation has been given effect by Order 42A of the Irish Rules of the Superior Court. In the first instance, such an application must be made to the Master of the High Court (the 'Master'), on an *ex-parte* basis, grounded on affidavit and exhibiting a certificate in the form in Annex V of the Regulation, which certificate is obtained from the Court which granted the judgment and certifies that the judgment is enforceable. The Master shall declare the judgment enforceable immediately on completion of the formalities set out under the Regulation, namely production of a copy of the judgment which satisfies the conditions necessary to establish its authenticity, the certificate in the form found in Annex V and a translation of these documents, if required. The Master shall then make an enforcement order in relation to the judgment or part thereof, as appropriate.

As regards enforcement of uncontested claims, this can be done by way of a European Enforcement Order which was introduced by Council Regulation (EC) No. 805 of 2004.

The implementation of Brussels 1 regulation and Council Regulation (EC) No. 805 of 2004 in Ireland makes the recognition and enforcement of judgments originating from EU member states in Ireland faster. The Court to which the application is made has no power to entertain grounds for non-enforcement.

In contrast to the provisions of the Brussels 1 Regulation, the procedures available under Irish common law for enforcement of foreign judgments (including trade secret judgments) in Ireland from non-convention countries are very restrictive. Although there is some evidence of judicial reform in Ireland which would suggest that the Irish Courts are free to assess the competency criteria, at the moment the situation remains that if a judgment originates from a non-convention country, the judgment is often unenforceable as a practical matter. When the enforcement of a foreign judgment is not possible as a result of the Irish courts adhering to common law rules, the plaintiff may be forced to re-litigate the matter *de novo* in Ireland.

## Italy

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Yes. Specific provisions on the protection of trade secrets are contained in Legislative Decree No. 30 of 10 February 2005 (the Code of Industrial Property, hereinafter "**IPC**") under articles 98 and 99 of Section VII "Secret information" (as recently amended by Legislative Decree No. 131 of 13 August 2010).

Trade secrets are also protected under unfair competition provisions and specifically under article 2598 no. 3 of the Italian Civil Code (hereinafter "**ICC**") and under specific labor provisions included in the ICC (i.e. article 2105 of the ICC on the employee's duty of loyalty).

Additional specific provisions are also included in the Italian Criminal Code.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

#### (a) Intellectual Property Law:

The main provisions on trade secrets are contained in articles 98 and 99 of the IPC. Trade secrets under the IPC qualify and enjoy protection as unregistered industrial property rights.

The definition of "trade secrets" is provided under article 98:

Italian	English
<p>Oggetto della tutela</p> <p>1. Costituiscono oggetto di tutela le informazioni aziendali e le esperienze tecnico-industriali, comprese quelle commerciali, soggette al legittimo controllo del detentore, ove tali informazioni:</p> <p>a) siano segrete, nel senso che non siano nel loro insieme o nella precisa configurazione e combinazione dei loro elementi generalmente note o facilmente accessibili agli esperti ed agli operatori del settore;</p> <p>b) abbiano valore economico in quanto segrete;</p> <p>c) siano sottoposte, da parte delle persone al cui legittimo controllo sono soggette, a misure da ritenersi ragionevolmente</p>	<p>Scope of protection</p> <p>1. The business information and the technical-industrial expertise, including the commercial ones, subject to the owner's legitimate control, are protected as long as:</p> <p>a) they are secret, in the sense that they are not, as a whole or in the exact configuration and combination of their components, generally well-known or easily accessible for experts and operators in the field;</p> <p>b) they have an economic value due to their being secret;</p> <p>c) they are subjected, by the persons who legitimately control them, to measures which may be deemed reasonably</p>

<p>adeguate a mantenerle segrete.</p> <p>2. Costituiscono altresì oggetto di protezione i dati relativi a prove o altri dati segreti, la cui elaborazione comporti un considerevole impegno ed alla cui presentazione sia subordinata l'autorizzazione dell'immissione in commercio di prodotti chimici, farmaceutici o agricoli implicanti l'uso di nuove sostanze chimiche.</p>	<p>adequate to keep them secret.</p> <p>2. Data relating to tests or other confidential data the elaboration of which involves a significant effort and the submission of which is a precondition for the authorization to introduce on the market the chemical, pharmaceutical or agricultural products implying the use of new chemical substances, are also protected.</p>
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Article 99 (recently amended by Legislative Decree No. 131 of 13 August 2010) further clarifies that trade secrets are eligible for protection under the IPC only if information meets the requirements set forth under article 98 and the secret information has been acquired by a third party unlawfully:

Italian	English
<p>Tutela</p> <p>1. Ferma la disciplina della concorrenza sleale, il legittimo detentore delle informazioni e delle esperienze aziendali di cui all'articolo 98, ha il diritto di vietare ai terzi, salvo proprio consenso, di acquisire, rivelare a terzi od utilizzare, in modo abusivo, tali informazioni ed esperienze, salvo il caso in cui esse siano state conseguite in modo indipendente dal terzo.</p>	<p>Protection</p> <p>With no prejudice to the provisions on unfair competition, the legitimate owner of the business information and expertise set forth in Article 98 is entitled to prohibit third parties, absent his consent, from acquiring, disclosing to others or using, unlawfully, such information and expertise, except for cases where they have been achieved autonomously by the third party in question</p>

Former wording of article 99 of the IPC did not specifically refer to the unlawful acquisition, disclosure or use of trade secrets, so leading potentially to a very wide and *erga omnes* protection of trade secrets, potentially also against third parties who acquired or used the information in good faith (for example because they acquired the information by a party different from the owner ignoring that this information had been originally acquired abusively) and regardless from the actual relationship of competitors between the owner and the infringer.

According to the prevailing scholarship, the limitation introduced by Legislative Decree No. 131/2010 is aimed at re-aligning the provisions of the IPC to the TRIPS Agreement. This conclusion seems to have been endorsed by a recent decision of the *IP Specialized Section of Court of Bologna of 9 February 2011*<sup>95</sup>, which have stated that article 99 has a "personal" rather than "proprietary" nature and that the purpose of the amendment is to align the article with article 39 of the TRIPS Agreement which provides protection of trade secrets only against behaviors contrary to the honest commercial practice; thus article 99, even if regardless (in abstract terms) of the competitive relationship between the parties, requires the violation of the principles of professional fairness and in this way it constitutes a relative rather than absolute (*erga omnes*) system of protection.

Articles 98 and 99 have replaced the former definition of "trade secrets" provided under article 6-bis of the former Italian Patent Law (Royal Decree No. 1127 of 29 June 1939 as

<sup>95</sup> Similarly *IP Specialized Section of Court of Bologna of 21 October 2010*.

modified by Legislative Decree No. 198 of 19 March 1996 implementing Article 39 of the TRIPs Agreement and definitively repealed by the IPC in 2005), which substantially reflected the definition of trade secrets provided by the TRIPs. Trade secrets under the former legislation did not expressly qualify as industrial property rights and the violation thereof amounted to an act of unfair competition<sup>96</sup>.

(b) Civil law:

(b.1) Unfair competition provision:

If the requirements set forth by articles 98 and 99 of the IPC are not met (e.g. the information is not subject to specific measure to keep it secret but has an intrinsic confidential nature and is such as to give a technical/economic advantage to its owner), the misappropriation, unauthorized use or disclosure of confidential information may however result in an act of unfair competition under article 2598, no. 3, of the Italian Civil Code ("**ICC**").

Article 2598 of the ICC

Italian	English
<p style="text-align: center;">Atti di concorrenza sleale</p> <p>Ferme le disposizioni che concernono la tutela dei segni distintivi e dei diritti di brevetto, compie atti di concorrenza sleale chiunque:</p> <p>1) usa nomi o segni distintivi idonei a produrre confusione con i nomi o con i segni distintivi legittimamente usati da altri, o ometta servilmente i prodotti di un concorrente, o compie con qualsiasi altro mezzo atti idonei a creare confusione con i prodotti e con l'attività di un concorrente;</p> <p>2) diffonde notizie e apprezzamenti sui prodotti e sull'attività di un concorrente, idonei a determinare il discredito, o si appropria di pregi dei prodotti o dell'impresa di un concorrente;</p> <p>3) si vale direttamente o indirettamente di ogni altro mezzo con conforme ai principi della correttezza professionale e idoneo a danneggiare l'altrui azienda.</p>	<p style="text-align: center;">Acts of unfair competition</p> <p>Save for the application of the rules that concern the protection of distinctive marks and patents rights, acts of unfair competition are performed by whoever:</p> <p>1) uses names or distinguishing signs apt to create confusion with the names and distinctive signs legitimately used by others, or slavishly imitates a competitor's products, or performs by any other means an act liable to create confusion with the products and activity of a competitor;</p> <p>2) spreads news and opinions on the products and activity of a competitor, such as to disrepute it, or usurps qualities of the products or the enterprise of a competitor;</p> <p>3) uses directly or indirectly any other means not in conformity with the principles of professional fairness, and able to damage third party's company.</p>

<sup>96</sup> Article 6-bis of the former Invention Law: "*Without prejudice to the provisions of article 2598 no. 3 of the Civil Code, the disclosure to third parties of business information, including commercial information lawfully within a competitor's control, or the acquisition of use of such information by third party in a manner contrary to proper professional practice, shall constitute an act of unfair competition where the said information; (i) is secret in the sense that it is not, as a whole or in the precise configuration and arrangement of its elements, generally known or readily accessible to experts and operators in that sector; (ii) has commercial value because it is secret; (iii) is the subject of steps to be considered reasonably adequate to keep it secret, taken by the person lawfully in control of it.*"

Protection against non authorized use of trade secrets may be claimed cumulatively under articles 98-99 of the IPC and 2598, no. 3 of the ICC. No specific definition of trade secrets is provided for by article 2598 of the ICC.

(b.2) Labor provisions:

Additional protection is granted under article 2105 of the ICC concerning the employee's duty of loyalty, which prohibits the use by the employee of information pertaining to the employer's organization and methods of production in a manner which may be prejudicial to the employer.

Italian	English
<p>Obbligo di fedeltà</p>	<p>Duty of loyalty</p>
<p>Il prestatore di lavoro non deve trattare affari, per conto proprio o di terzi, in concorrenza con l'imprenditore, nè divulgare notizie attinenti all'organizzazione e ai metodi di produzione dell'impresa, o farne uso in modo da poter recare ad essa pregiudizio.</p>	<p>The employee shall not engage in businesses, either for its own account or the account of third parties, which are in competition with his employer, nor he shall disclose information pertaining to the employer's organization and methods of production or use it in a manner which is prejudicial to the employer.</p>

(c) Criminal Law:

The following provisions on protection of trade secrets are included in the Italian Criminal Code (for additional details please refer to the Criminal Law Section):

Italian	English
<p>Articolo 623 Rivelazione di segreti scientifici o industriali</p>	<p>Section 623 Revelation of trade secrets</p>
<p>1. Chiunque, venuto a cognizione per ragione del suo stato o ufficio, o della sua professione o arte, di notizie destinate a rimanere segrete, sopra scoperte o invenzioni scientifiche, o applicazioni industriali, le rivela o le impiega a proprio o altrui profitto, è punito con la reclusione fino a due anni. 2. Il delitto è punibile a querela della persona offesa.</p>	<p>1. Whoever, having known by reason of his status, function, job or art, any information that is intended to remain secret concerning scientific discoveries or inventions, or industrial applications, discloses it to others or makes use thereof for its own or others' profit, shall be imprisoned up to two years. 2. The offence shall only be prosecuted upon complaint of the aggrieved person.</p>
<p>Articolo 621 Rivelazione del contenuto di documenti segreti</p>	<p>Section 621 Revelation of secret documents</p>
<p>1. Chiunque, essendo venuto abusivamente a cognizione del contenuto, che debba rimanere segreto, di altrui atti o documenti, pubblici o privati, non costituenti corrispondenza, lo rivela, senza giusta causa, ovvero lo impiega a proprio o</p>	<p>1. Whoever, having unlawfully know the content, which is intended to be kept secret, of third parties' documents, either public or private, other than correspondence, discloses it, without just cause, or uses it for its own or third parties' benefit, shall be imprisoned, if this</p>

<p>altrui profitto, è punito, se dal fatto deriva documento, con la reclusione fino a tre anni o con la multa da 103 euro a 1.032 euro.</p> <p>2. Agli effetti della disposizione di cui al primo comma è considerato documento anche qualunque supporto informatico contenente dati, informazioni o programmi.</p> <p>3. Il delitto è punibile a querela della persona offesa.</p>	<p>act results in a harm, up to three years or fined from Euro 103 up to Euro 1.032.</p> <p>2. For the purposes of Paragraph 1, "documents" include any electronic devices containing data, information or computer programmes.</p> <p>3. The offence shall only be prosecuted upon complaint of the aggrieved person.</p>
<p style="text-align: center;"><b>Articolo 325</b> Utilizzazione d'invenzioni o scoperte conosciute per ragione di ufficio</p> <p>Il pubblico ufficiale o l'incaricato di un pubblico servizio, che impiega, a proprio o altrui profitto, invenzioni o scoperte scientifiche, o nuove applicazioni industriali, che egli conosca per ragione dell'ufficio o servizio, e che debbano rimanere segrete, è punito con la reclusione da uno a cinque anni e con la multa non inferiore a 516 euro.</p>	<p style="text-align: center;"><b>Section 325</b> Use of inventions or discoveries known by reason of the status as public official</p> <p>Whoever, in his capacity as public official or civil servant, uses, for his own or third parties' benefit, scientific inventions or discoveries or novel industrial applications, which he has known by reason of his status, and which are intended to be kept secret, shall be imprisoned from one up to five years and fined with at least Euro 516.</p>
<p style="text-align: center;"><b>Articolo 326</b> Rivelazione ed utilizzazione di segreti di ufficio</p> <p>1. Il pubblico ufficiale o la persona incaricata di un pubblico servizio, che, violando i doveri inerenti alle funzioni o al servizio, o comunque abusando della sua qualità, rivela notizie di ufficio, le quali debbano rimanere segrete, o ne agevola in qualsiasi modo la conoscenza, è punito con la reclusione da sei mesi a tre anni.</p> <p>2. Se l'agevolazione è soltanto colposa, si applica la reclusione fino a un anno.</p> <p>3. Il pubblico ufficiale o la persona incaricata di un pubblico servizio, che, per procurare a sé o ad altri un indebito profitto patrimoniale, si avvale illegittimamente di notizie di ufficio, le quali debbano rimanere segrete, è punito con la reclusione da due a cinque anni. Se il fatto è commesso al fine di procurare a sé o ad altri un ingiusto profitto non patrimoniale o di cagionare ad altri un danno ingiusto, si applica la pena della reclusione fino a due anni.</p>	<p style="text-align: center;"><b>Section 326</b> Revelation/use of secrets by public officials</p> <p>1. Whoever, in his capacity as public official or civil servant, as result of a violation of the obligations arising from his status or an abuse thereof, discloses any information in connection to his quality that is intended to be kept secret or allows third parties to have knowledge thereof, shall be imprisoned from six months up to three years.</p> <p>2. If the offender allows third parties to obtain knowledge of the said information due to negligence, he shall be imprisoned up to one year.</p> <p>3. Whoever, in his capacity as public official or civil servant, for the purpose of obtaining an undue advantage, unlawfully uses any information connected to his quality, which is intended to be kept secret, shall be imprisoned from two up to five years. If the offender acts for the purpose of obtaining an undue advantage for his own or third parties' benefit, or with the purpose of harming others, he shall be imprisoned up to two years.</p>



3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

N.A.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Yes. Trade secrets that meet the requirements set forth under articles 98 and 99 of the IPC are considered to be (unregistered) intellectual property rights and enjoy the same protection of other intellectual property rights, including measures introduced by the Enforcement Directive.

Article 1 of the IPC expressly states that “*industrial property shall include trademarks and other distinctive signs, geographical indications, designation of origin, designs and models, inventions, utility models, topographies of semiconductor products, business confidential information and new plant varieties*”.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

Trade secrets may potentially include any type of information.

Article 98 of the IPC refers to any business information, technical-industrial knowledge, including commercial information, which is subject to the owner’s legitimate control. Additionally, article 98.2 provides for specific protection also of “*data relating to tests or other confidential data the elaboration of which involves a significant effort and the submission of which is a precondition for the authorization to introduce on the market the chemical, pharmaceutical or agricultural products implying the use of new chemical substances*”.

Technical-industrial knowledge includes both patentable and non-patentable knowledge relating to products and production processes, as well as the complex of information and experience which gives the owner technical and commercial advantage on competitors. Know-how is also included hereunder. It must be noted that contrarily to the prevailing opinion according to which know-how and trade secrets have substantially the same meaning, certain authors identify the know-how (to be intended as the combination of experience and knowledge used by the entrepreneur in connection with production activities and commercialization and distribution of products under a secrecy regime) as an autonomous category of trade secret.

Commercial information includes information related to the owner's commercial organization (e.g. statistics, market survey, advertising means, prices and pricing strategy, financial data, commonly defined as "business methods") and information related to the enterprise's clients and suppliers, including clients/supplier practices (e.g. contractual and pricing conditions, product customization, etc.).

The law does not make any difference between types of trade secrets.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest?

The provisions governing trade secrets lack clear and defined criteria for the assessment of scope and extent of trade secrets protection. Courts are required to carry out a case-by-case analysis and carefully consider the opposed interests at stake (i.e. the owner's right to prevent third parties from using and disclosing its information and, on the other side, the public interest to a free market competition and technical development). Overprotection of trade secrets may indeed jeopardize and discourage free competition and technical research and development.

Furthermore, some authors have strongly criticized the current wording of article 99 of the IPC as it appears to be not compliant with article 39 of the TRIPS Agreement. The use of the word "unlawfully" (*in modo abusivo*) with regard to the acquisition, disclosure and use of secret information has, for these authors, a meaning which is different from the former wording "*in a manner contrary to the honest commercial practice*" used in the TRIPS Agreement and reflected in the former article 6-bis of the Law on Invention. The correct interpretation and application of "unlawful" acquisition, disclosure and use is therefore to be referred to Courts. However, due to the recent amendment of article 99 (modified by Legislative Decree no. 131/2010) there are so far very few precedents dealing with this issue. Relevant to this point are the decisions of the Court of Bologna of 21 October 2010 and 9 February 2011 (already mentioned under point 2 above), which have stated that the wording "unlawful" acquisition, disclosure and use shall be interpreted as having the same meaning of "contrary to the honest commercial practice".

(a) Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive?

A common legislation on trade secrets would be useful to remove discrepancies and different treatment of trade secrets throughout the EU member countries.

(b) Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset?

In the practice, trade secrets are commonly protected by making recourse to confidential and non-disclosure agreements. It is also worth noting that certain Courts have become more sensible towards the risks that trade secrets and confidential information be disclosed during IP infringement litigations and therefore they seem now to be more cautious when ordering the access to or the submission of confidential information of a party (general search orders and request of submission of documents, which do not include a clear identification of the information and documents to be searched/submitted are usually rejected by Courts).

(c) Are there any current proposals for new legislation?

There is no proposal for a new law on trade secrets, although some authors warmly suggest adopting new modifications of article 99 of the IPC.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Case	Principles Applicable to protection of trade secrets
<p>Court of Milan, 21 February 2011 – <i>Idrodepurazione s.r.l. vs Seko S.p.A.</i> [<a href="http://www.dejure.it">www.dejure.it</a>]</p>	<p>The parties had entered into a joint-venture agreement for the development of certain know-how necessary for the planning of a plant producing energy from biomass, where the claimant was responsible for the technical development. The claimant claimed that during the performance of the agreement, the defendant started hiring human resources involved in the planning of biogas plants misappropriating the claimant's technical information relative to the planning know-how. The claimant applied for an order of the Court preventing the defendant from hiring its employees and using its technical know-how.</p> <p>The Court decided that there was no protectable trade secret, since the pure planning activities performed by specialized personnel in connection with one single installation do not meet the statutory requirements for protection. The Court also stated that <i>"It is for the owner to provide evidence that certain knowledge (i) is not easily accessible to a person skilled in the relevant field and (ii) has economic value, i.e. is suitable for commercial exploitation"</i>.</p>
<p>Court of Bologna, 9 February 2011 – <i>F.F. s.r.l. vs APSS S.r.l. and other</i> [Utet Giuridica.it]</p>	<p>The plaintiff applied for an injunctive order to prevent the defendant from further using certain technical information that the claimant alleged were unlawfully acquired by the defendant through the hiring of highly-qualified personnel of the claimant.</p> <p>The Court decided that there were no protectable trade secrets since the relevant information mainly consisted in the knowledge acquired by certain employees of the claimant during training courses held by third parties. Furthermore the Court pointed out that the claimant had not proved that the relevant information met the statutory requirements set forth by article 98 of the IPC, and in particular that, <i>"first of all, the acquisition of the information on the market by a competitor requires efforts and investments. Secondly, that the secret information possesses an economic value [...] in the sense that the use of the information gives to the user a competitive advantage that allows him to keep or increase the market share. Thirdly, it is necessary that information be subject to a reasonable adequate measure to keep it secret. It is indeed common opinion that the owner of the information informs its employees and collaborators of the nature of the information and of the necessity to maintain confidentiality"</i>.</p>
<p>Court of Milan, 20 December 2010 – <i>Infotronic S.p.a. vs</i></p>	<p>The plaintiff applied for an injunction preventing the defendants from using its confidential business information (including software and technical drawings) alleging that two</p>

<p><i>Sambers Italia S.p.A. and others</i> [<a href="http://www.dejure.it">www.dejure.it</a>]</p>	<p>former employees had misappropriated the information after having resigned and that they had passed on that information to the new employer Sambers, in breach of article 98 and 99 of the Code of Industrial Property.</p> <p>The Court granted the injunction, stating that <i>"The information at stake is considered secret, as the applicant has provided evidence that it was stored in its computer system and that subjective (access was limited to certain employees) and objective (access required authentication by password) restrictions to access had been adopted; further to that, the documents were expressly marked as privileged"</i>.</p>
<p>Suprem Court, 30 October 2009, no. 23045 - 3V <i>Partecipazioni Industriali s.p.A. vs Chimica Pomponesco S.p.A. and others</i> [<i>Giur. ann. dir. ind.</i>, 2009, no. 5361]</p>	<p>The plaintiff claimed that the defendants infringed certain patents, violated, disseminated and used trade and business secrets of the claimant and committed acts of unfair competition. The claimant applied for an injunction preventing the defendants from using and reveling to third parties the secrets concerning a certain process and ordering the destruction of the plants intended to the realization of the said process.</p> <p>The Supreme Court confirmed the decision on the merits and rejected the plaintiff's claim stating that: <i>"In order to have evidence that a revelation of trade secrets occurred, the said conduct must be clearly demonstrated in the course of the proceeding, by providing evidence of the tools used for that purpose or, indirectly, of the implementation, by the competitor, of manufacturing procedures identical, either at all or in part, to the technological aspects covered by the secret"</i>. <i>"It must be proved, either directly or indirectly, that the revelation of trade secrets allowed the competitor to gain specific advantages (and not generic ones) deriving from the engagement of a person skilled in the relevant field, whose know-how has been developed in a company of the same sector"</i>.</p>
<p>Court of Bologna, 20 March 2008 - <i>Pogliani &amp; Rivolta S.p.a. vs Butler Engineering and Marketing S.p.A. and RAvaglioli S.p.A.</i> [<i>Giur. ann. dir. Ind.</i> 2009, 367]</p>	<p>The decision regards a case of diversion of agents and disclosure of business confidential information by a former agent of the claimant. The claimant asked to the Court to grant an injunction to prevent the defendants from further carrying on the unlawful conducts.</p> <p>The Court rejected the claim stating that the <i>"Protection of business confidential information is limited to the elements which meet all the requirements established under article 98(1) of the Code of Industrial Property:</i>  <i>A) the items at stake shall be data whose collection requires efforts higher than those necessary for an in-depth literature research; they must concern information gathered as result of an individual or team work, not replaceable through the consultation of external materials and experiences;</i>  <i>B) the "substantial" effort required for the valid processing of the secret information must consist of the necessity of an economic effort at least of the same amount when a third party aims at "reproducing" it; the unfairness of acts of</i></p>

	<p>competition has to be excluded where the items at issue are usual and typical elements for the category of goods or services considered;</p> <p>C) exploitation of business information does not entail per se also a breach of article 98 of the Code of Industrial Property and, thus, while the acts of unfair competition under article 2598 of Civil Code may result also in the revelation or use of third parties' confidential information, the said conducts do not necessarily concern "sensitive data" matching the requirements provided by article 98 of the Code of Industrial Property;</p> <p>D) finally, the business information referred by article 98 of the Code of Industrial Property shall be kept secret, by taking the measures that are suitable and constitute a proper defense against the violations that may be reasonably foreseen and prevented, so that there is no misappropriation of confidential information, unless evidence is given that the stolen information was kept secret".</p>
<p>Court of Turin 7 May 2008 - <i>V.R., M.C. and S.r.l. 3T Trattamenti Termici Torino vs Stabilus GmbH and S.r.l. Stabilus</i> [Sez. spec. dir. ind., 2007-2008, no. 542]</p>	<p>(Description of facts is not available)</p> <p>The Court held that the defendant committed act of unfair competition by misappropriating certain confidential information that did not possess the requirements provided by article 98 of the IPC: "The conduct of a competitor aimed at verifying information that, even if does not amount to a secret, has not been disclosed nor are going to be disclosed by the owner, constitutes an act of unfair competition due to the breach of the principle of professional correctness. Protection of trade secrets is not limited to the information that competitors may not otherwise obtain but also includes all the conducts aimed at obtaining any business information; therefore, the principle of fair competition is violated also by whoever, through unlawful acts of misappropriation, avoid the costs connected with the realization of the said information, and thus, by whoever commits acts of unfair competition with respect to the obtainment by misappropriation of the information and not as result of an autonomous development".</p>
<p>Court of Bologna, 4 July 2008 - <i>Le Forme s.r.l. vs Fiandri Giorgio and Murale S.r.l. and Sector Art S.r.l.</i> [Giur. ann. dir. Ind. 2008, n. 5298]</p>	<p>The claimant applied for an injunction preventing the use of business confidential information by one of its former employees. The claimant alleged that the defendant had misappropriated certain business information for the benefit of two competitors. Also, the claimant asked for the seizure of the documentation regarding clients and programs developed by the claimant and held by the defendants. The defendant maintained that the information did not qualify as confidential, as it was limited to generally known technical and commercial data which could be easily obtained (and that the former executive had known by reason of his ten-years experience in the relevant market).</p> <p>The Court granted the injunction as it found that the stolen information met all the requirements set forth by article 98 of the Code of Industrial Property. In particular with regard to the economic value that information shall have according</p>

	<p>to be protectable it stated that: <i>"Business or technical information has economic value when the owner has dedicated significant time and human resources (and economic ones, as well) to the development of the information in question and where the possession of such a significant asset provides the owner with the chance to be competitive on the market and gain advantage by offering prices lower than those of competitors"</i>.</p>
<p>Milan Court of Appeal, 13 June 2007 – <i>Integra S.r.l.</i> (the alleged infringer) <i>and others vs TFT s.r.l.</i> [<i>Giur. ann. dir. ind.</i>, 2007, no. 5153]</p>	<p>TFT claimed that that Integra had stolen designs which were part of its business confidential information. In the course of a separate criminal proceeding, the Court ordered an inspection of the house of one of the members of the defendant who was a former employee of the claimant, during which some materials, designs and files and a list of clients belonging to the claimant were seized. The first instance decision ascertained the infringement and condemned Integra to pay damages for Euro 1.100.000.</p> <p>The Court of Appeal confirmed the first instance decision and stated that <i>"Regardless of the protection provided to the information that is alleged to have been stolen according to article 98 of the Code of Industrial Property, taking benefit from a breach of trust committed by an employee which provides competitors with business information may amount to an act of unfair competition under Section 2598, n. 3, of Civil Code"</i>.</p> <p>The Court of Appeal further provided some guidelines as to the protection of secret information and the criteria for calculation of damages: <i>"Any information that is necessary for carrying out a manufacturing process, for the production and functioning of a specific machine is protected as trade secret provided that such data may not otherwise be obtained and are, by reason of their nature, not intended for dissemination to third parties"</i>.</p> <p><i>"The parameters for determining proper compensation for misappropriation of trade secrets include the profit margin related to the business chances lost by the owner of the information disclosed to a competitor and the extent of the advantage derived by the competitor from the exploitation of a technological asset obtained immediately and without incurring any cost"</i>.</p>
<p>Court of Venice, 12 June 2007 – <i>Diego di Diego Mazzi &amp; C. s.n.c. vs M.C. and Aesee S.p.A.</i> [<i>Sez. spec. dir. ind.</i>, 2007-2008, no. 594]</p>	<p>(Description of facts is not available)</p> <p>The Courts provides certain guidelines as to the measures to be adopted to keep information secret: <i>"Article 98 of the Code of Industrial Property requires that information must be protected through a minimum safety system and that third parties to whom information is disclosed are made aware of the confidentiality thereof"</i>.</p>
<p>Court of Brescia 29 April 2004 - <i>La Leonessa S.p.A. vs Officine Nicola</i></p>	<p>The claimant sought interim relief against the defendants, alleging that the latter entered into the same market of the claimant immediately after having hired a former employee</p>

<p><i>Galperti e Figlio S.p.A. and Frusca s.r.l. [Giur. ann. dir. Ind. 2004, n. 4744]</i></p>	<p>of the claimant. The claimant alleged that the defendants were manufacturing the same products in an identical or similar way by using the claimant's confidential commercial and technical information obtained through its former employee.</p> <p>The Court found that the information at stake was capable of being protected as a trade secret and therefore granted the injunction. The Court held that <i>"Both the company's know-how and the business information concerning the practices adopted by a company in the relationships with clients and suppliers constitutes confidential information protected under article 6-bis of the Law on Inventions and article 2598, n. 3, of Civil Code"</i>.</p> <p><i>"Further to technical information, violation of trade secrets also concerns commercial secrets, i.e. the practices adopted by the claimant in the relationships with clients and suppliers. It includes any information that the owner has not disclosed to the public, that (i) it is objectively worth for the company, (ii) deals with technical and commercial data and (iii) is not intended for dissemination. Additionally, it has economic value, so that any competitor that misappropriates it gets a significant advantage in terms of costs saving"</i>.</p> <p><i>"The proof of the unlawful use of confidential technical and commercial information of a competitor is, in its nature, eminently based on circumstantial evidence"</i></p>
<p>Court of Milan, 31 March 2004 – <i>Montefibre S.p.A. vs Mongiorgi A. and others</i></p>	<p>The plaintiff claimed that the defendants had misappropriated trade secrets through former employees of the claimant who breached certain confidentiality obligations. Said trade secrets were used by defendant to set up a new business in competition with the plaintiff. The plaintiff asked the Court to ascertain the infringement of the plaintiff's trade secrets in conjunction with the infringement of certain patents.</p> <p>The Court has partially recognized the plaintiff's requests, condemning the defendants to pay damages in the amount of Euro 10.000.000,00. The Court held that <i>"The misappropriation, use and dissemination of business confidential information, although it is not secret at all, do amount to acts of unfair competition, provided that (i) the information may not be easily obtained, (ii) proper measures for its protection have been adopted and (iii) the acquisition thereof has been prevented or hampered"</i>.</p> <p>Furthermore the Court pointed out that <i>"Determining the amount of damages suffered as a consequence of acts of unfair competition is a critical by reason of the impossibility of ascertaining a direct causal relationship on the grounds of which it can be excluded that any element other than the unlawful conduct affected the business of the aggrieved company; therefore, in such cases compensation shall be necessarily based on equity"</i>.</p>
<p>Milan Court of Appeal, 29 November 2002 – <i>Foreco</i></p>	<p>The Group Grace had applied for a preliminary order of description of the products of the defendants, alleging that</p>

<p><i>s.r.l. and Forestali s.r.l. vs W.R. Grace &amp; Co., W.R. Grace Italiana S.p.A. and Grace Italiana S.p.A. [Giur. ann. dir. ind., 2003, no. 4533]</i></p>	<p>they infringed certain registered patents of the claimant. As a result of the description, regardless of the violation of the enforced patents, the defendants' products were found to be identical to the products developed by the claimants under a secrecy regime.</p> <p>On the basis of the outcome of the description, Grace brought an action for patent infringement, unfair competition and misappropriation of secrets and confidential information regarding its clients, alleging that the three former employees contributed to the commission of the said conducts. The Court ruled in favor of Grace and the first instance decision was then appealed by the defendant.</p> <p>The Court of Appeal confirmed the first instance decision and ascertained the infringement of the plaintiff's trade secrets and confidential information stating that: "<i>Protection of trade secrets does not only cover the information that a competitor may not otherwise obtain, but also applies against any activities aimed at obtaining trade information in a manner which allows the infringer to get a saving in terms of time and costs for the development thereof. Secret chemical formulas may not be used by a former employee, as they constitute confidential information and does not pertain to the professional heritage of the employee</i>".</p>
<p>Supreme Court, 11 October 2002, no. 14479 – <i>RIMA S.p.A. vs SICUR GEN s.r.l.</i> [Giur. ann. dir. ind., 2003, no. 4477]</p>	<p>This case concerns the establishment of a competitive business by a former employee of the plaintiff. The plaintiff brought an action for unfair competition alleging that the defendant misappropriated certain confidential information relating to the plaintiff's clients before establishing his own business. The defendant objected that the information allegedly stolen were indeed available to all employees and consultants within the plaintiff's company.</p> <p>The first instance decision ruled in favour of the plaintiff but was repealed by the Court of Appeal. The Supreme Court confirmed the decision of the Court of Appeal and stated that the information at stake were part of the professional expertise of the employee and as such not protectable: "<i>The correctness of the conduct of the former employee who uses, in a competitive way, the professional skills he has obtained as former employee of a company shall be evaluated according to the criteria on the grounds of which a conduct constitutes parasitical competition, which is aimed at diverting for the infringer's benefit, the assets of other companies and in particular of the company he belonged to; in any cases, it cannot result in parasitical competition the use of the assets constituted exclusively by the skills acquired by the employee which cannot be separated from his personal qualities</i>".</p>

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.



- G. Bonili – M. Confortini, *"Codice Commentato della proprietà industriale e intellettuale"*, UTET, 2011
- M. Pastore, *"La tutela del segreto industriale nel sistema dei diritti di privativa"* in G. Resta, *"Diritti esclusivi e nuovi beni immateriali"*, pp. 273-309, UTET, 2011.
- S. Barbaro, *"Le informazioni aziendali riservate: le scelte del codice della proprietà industriale"* in G. Resta, *"Diritti esclusivi e nuovi beni immateriali"*, pp. 314-353, UTET, 2011.
- A. Vanzetti, *"La tutela corretta delle informazioni riservate"*, Rivista del diritto industriale n. 03, 2011.
- C. Galli, *"Codice della Proprietà industriale: la riforma 2010"*, IPSOA, 2010.
- P. Auteri, *"Tutela dei segreti d'impresa"*, Assemblea AIPPI 5 febbraio 2010;
- A. Vanzetti e V. di Cataldo, *"Manuale di diritto Industriale"*, Giuffrè, Milano, 2009.
- Benedetta Franchini Stufler, *"Il know-how e la tutela dei segreti d'impresa"*, Giappichelli, Torino, 2009.
- P. Marchetti – L.C. Ubertaini, *"Commentario breve alle leggi sulla proprietà intellettuale e concorrenza"*, CEDAM, Padova 2007.
- C. Bellomunno, *"Storno dei dipendenti e sottrazione di segreti"*, Il diritto industriale no. 3, 2007.
- G. Rosin, *"Patto di non concorrenza"*, Diritto e pratica del lavoro no. 35, 2006.
- Benedetta Franchini Stufler, *"Studi sull'evoluzione economica e giuridica del know-how e della sua tutela"*, Rivista di diritto industriale, no. 6, 2005.
- M. Scuffi – M. Franzosi – A. Fittante, *"Il Codice della Proprietà Industriale"*, CEDAM, 2005.
- G. Guglielmetti, *"La tutela del segreto"*, in C. Galli/A. Vanzetti, *"Le nuove frontiere del diritto dei brevetti"*, pp.109-135, GIAPPICHELLI, 2003.
- M.E. Traverso, *"La tutela giurisdizionale del segreto"*, Il diritto industriale no. 4, 2002.
- G. Bonelli, *"Tutela del Segreto di impresa e obblighi dell'ex dipendente"*, Il diritto industriale no. 1, 2002.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

Pursuant to Articles 98 and 99 of the IPC, trade secrets can be protected (and legal proceeding established) if the following requirements are met:

- (i) The information to protect is secret, i.e. it is not readily accessible in its entirety or in the exact combination of its individual elements to the experts of the relevant field.

Court of Bologna of 20 March 2008 granted protection to information whose collection implies efforts higher than those required by an accurate research of the literature, which have been gathered through individual or équipe work and which cannot be reached through consultation of external material and experiences. Such "higher efforts" required for the valid elaboration of secret information shall then correspond to the at least equal economic effort required to a third party to duplicate the relevant information.

- (ii) It has an economic value in light of its secret nature.

Court of Bologna of 4 July 2008 recognized the economic value of technical and commercial information whose creation has required an effort in terms of time, human and financial resources to its owner and whose immediate availability gives a third party the possibility to be immediately competitive by lowering prices.

- (iii) It is subject to adequate measures to keep it secret by the persons in charge of controlling the information.

Authors and case law agree that said measures shall not be excessively burdensome for the owner, and shall be adopted both vis-à-vis employees and collaborators and third parties. Prevailing case law maintains that it is sufficient that employees and collaborators be aware of the confidential nature of the information and be subject to a confidential obligation (e.g. by providing confidential provisions in employment contracts or in unilateral documents like service orders, internal policies or secrecy protocols). Vis-à-vis third parties said secrecy measures may include confidential and non-disclosure agreements. Also password and username to access databases and in general electronic documents, as well as written warnings like "this document is confidential and must not be copied or otherwise reproduced", are usually considered sufficient measures for the purposes of article 98 of the IPC.

- (iv) The acquisition, use or disclosure of the information has been made unlawfully. Protection is not granted where the relevant information has been acquired in good faith or independently developed or achieved by the third party.

In cases where the requirements above are not fully met it is still possible to start litigation on the basis of article 2598 no. 3 of the ICC for unfair competition, provided that:

- (i) the information to protect, although not strictly secret, has a confidential nature, it is not generally known outside the owner's enterprise and it is not readily accessible to third party;
- (ii) the information has an economic value for its owner in terms of competitive advantages;
- (iii) the owner of the confidential information and the infringer are competitors.
- (iv) the misappropriation is made in a manner contrary to the principles of professional fairness.

Court of Turin of 7 May 2008 granted protection to information that, although not secret, was confidential and not generally available to the public and that was acquired by a

competitor with devious means. Indeed, protection of trade secrets under unfair competition does not pertain only to information otherwise unavailable to competitors but aims at preventing convenient shortcut to acquire information that are industrially helpful.

2. What civil remedies are made available? Are the remedies cumulative?

Trade secrets falling within the definition of article 98 of the IPC can benefit of all the remedies available under the IPC, including preliminary injunctions (restraining orders, seizure of relevant material containing the secret information or of products manufactured with the use of said information, description of the material containing the information and/or of the products realized with the use of said information), final injunction and seizure, withdrawal of infringing products (manufactured with the use of the secret information) from the market, publication of the decision and compensation of damages. Other remedies as destruction of the infringing products and assignment to the trade secret owner are also available, although more rarely applied.

Similar remedies, including preliminary injunctions, restraining orders, seizure and search orders are provided by the Italian Code of Civil Procedure and available to trade secrets which do not meet the IPC requirements but are however protectable pursuant to unfair competition provisions.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain *ex parte* orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

Preliminary search orders are available pursuant to articles 129-130 of the IPC (description and seizure of the information). Similar remedies are available under the Italian Code of Civil Procedure for infringement of trade secrets which do not meet the requirements set forth by article 98 of the IPC.

To obtain a preliminary search orders the claimant must file a motion with the competent Court (in case of trade secrets pursuant to article 98 of the IPC the claim must be filed with the competent IP Specialized Court<sup>97</sup>). Preliminary orders can only be granted - after the Judge conducts a summary evaluation of the facts - if the following two conditions are met:

(a) The "*fumus boni iuris*" requirement, i.e. the claim shall appear *prima facie* grounded and preliminary evidence shall be provided as to the validity and infringement of the trade secret; and

(b) The "*periculum in mora*" requirement, i.e. the claimant must prove that there is an actual risk that relevant evidence may be destroyed or concealed by the defendant and that it may not be possible to obtain it later on during the ordinary proceedings.

*Ex parte* orders (i.e. without the possibility for the defendant to be heard before the order is enforced) may be obtained in cases where the nature and magnitude of the infringement triggers the risk that the defendant alters the facts and/or destroys or conceals the relevant information, thus nullifying in practice the enforcement of the measure. Italian Courts are however quite reluctant in granting preliminary orders *ex*

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<sup>97</sup> Civil cases involving trade secrets under article 98 of the IPC (and IP rights in general) are heard by the Industrial and Intellectual Property Specialized Sections of 12 Italian Courts: Bari, Bologna, Catania, Firenze, Genova, Milano, Napoli, Palermo, Roma, Torino, Trieste, Venezia. The IP Specialized Courts have been introduced by Legislative Decree no. 168/2003 with the aim to improve quality of process and speed up the proceedings.

*parte* (in particular with respect to measures like the seizure which may have strong economic impact on the counterparty).

Search orders permit the access the defendant's premises by the claimant with the attendance of the Court bailiff, and where required by the technical nature of the infringement, by the technical expert appointed by the Court, for the purpose of describing and collecting evidence on the infringement. The bailiff can look into and describe technical, commercial and also fiscal documentation, both in hard or electronic format, from which the existence, nature and magnitude of the infringement can be deducted, provided that the search does not exceed the scope of the Court's order and defendant's privacy is protected.

It must be mentioned that in the practice, it commonly happen that the defendant is not very cooperative, so making the location, identification and description of the relevant documents and information very difficult. Furthermore, the Court bailiff enforcing the order may be reluctant to access documents and files which do not clearly fall within the scope of the Court's order. Often all this leads to a non complete and satisfactory enforcement of the order. To maximize the effects of the search order it is therefore very important that the claimant details, in its motion, the documents to be searched with the utmost accuracy.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

Trade secrets under article 98 of the IPC are regarded as (unregistered) industrial property rights and as such they are open to all the remedies available to IP rights, including preliminary injunctions (e.g. search and description orders, restraining orders, seizure and publication of the interim decision). Expedite actions are not provided for in civil proceedings.

Similar remedies, including preliminary injunctions, restraining orders, seizure and search orders are provided by the Italian Code of Civil Procedure and available to trade secrets which do not meet the IPC requirements but are however protectable on the basis of unfair competition provisions.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Final injunctions are usually not time limited, although it may take up to three years (and longer in very complex technical cases) to obtain a first instance decision on the merits including final injunction.

Preliminary injunctions, which can be granted in 1 to 3 months, are time limited in the sense that they must be enforced within a short deadline (30 days from the date on which the order is issued) and must then be confirmed through an ordinary proceeding on the merits. The ordinary proceeding on the merits must be commenced by either party (normally the claimant) within the deadline indicated by the Judge or alternatively within 20 working days or 31 calendar days, whichever is longer, from the date on which the preliminary decision is communicated to the parties. If the preliminary order is not enforced or the ordinary proceeding on the merits is not started within said deadlines, preliminary injunctions become ineffective.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

Preliminary injunctions are usually granted in 1 to 3 months time from the filing of the motion with the Court. Preliminary orders must be enforced within 30 days from the date on which the Court order is granted.

Ordinary proceeding on the merits may take up to 3 years to come to a final decision (this however depends on the Courts and the respective workload). First instance decision may be appealed within 30 days from the service of the decision to the counterparty or if the decision is not served to the other party, within 6 months from the publication of the decision. Appeal proceedings take usually further 2 years to come to a decision (but this again depends on the Court's workload). Court of Appeal's decision may be appealed before the Supreme Court. Proceedings before the Supreme Court last usually 2 years.

Costs of proceedings include the following items:

- Court Tax: this is a fixed amount which depends on the value of the case. Cases involving trade secrets are often of an undetermined value; in this case the Court tax currently amount to Euro 900,00. The amount may also increase in the event that the defendant introduces a counterclaim (whose value exceeds the value of the plaintiff's claim) or in case a third party is sued after the proceeding has started. An additional fixed amount is due for registering the decision with the Tax Office.
- Attorney fees: although law firms may apply their own fees, the Italian Bar Association has adopted standard guidelines on fees, which depend on the amount in dispute. These guidelines are used to quantify legal costs to be paid by the losing party.
- Other costs: Expert reports, translations, travelling expenses for attending the hearings.

Based on the above, it is difficult to indicate an average cost of proceeding involving trade secrets infringement. Costs may vary sensibly depending on the complexity of the case, the number of briefs and technical reports to be submitted to Court and the number of hearings.

(d) Are cases involving technical trade secrets heard by specialist judges?

Yes. Civil cases involving trade secrets pursuant to the IPC are heard by the Industrial and Intellectual Property Specialized Sections of 12 Italian Courts<sup>98</sup>: Bari, Bologna, Catania, Florence, Genoa, Milan, Naples, Palermo, Rome, Turin, Trieste, Venice. The IP Specialized Courts have been introduced by Law no. 168/2003 with the aim to improve quality of process and speed up the proceedings.

Cases which involve trade secrets which do not qualify as intellectual property under article 98 of the IPC, but which fall under article 2598 no. 3 ICC on unfair competition, may still be referred to the IP Specialized Court if they present a connection with an intellectual property right. Other cases of trade secrets infringement are heard before civil courts.

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<sup>98</sup>The Law No. 27 of 24 March 2012 has introduced the Commercial Courts which has replaced the IP Specialized Sections as of September 24, 2012. The Commercial Courts will outnumber the IP Sections and will have a broader competence, covering also matters not strictly related with intellectual property rights.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

Hearings in civil proceedings are heard before the investigating judge and are public. The final hearing, where oral discussion is requested by a party, is heard before a panel of three judges and is also public. The Court can exclude the public exceptionally and only for reasons of security, public order and decency.

The parties must prove their claims and file the documents evidencing their respective pleadings. All the briefs, deeds and documents submitted during the proceeding are confidential and accessible only by the parties and their respective lawyers and counsel, while the final decision is public. In cases where a party needs to protect its confidential information from being accessed by the other party, it may require the Judge to limit the access to the adverse party's lawyers and consultants only or to limit the access to certain information only (full information would remain available to the Court and its experts only). The Judge, after having heard the other party, shall adopt suitable measures to protect the confidentiality of the requesting party's information.

Please note that under Italian law there is not a UK-like duty of disclosure.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

There are no official statistics on the number of trade secrets cases heard by Italian courts.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

Plaintiff in a trade secrets infringement case has often a very high burden of proof. The plaintiff shall provide evidence that the information meets the statutory requirements to be protected, i.e. (i) what information has been violated, (ii) why it is considered to have an economic value for the owner; (iii) what measures were taken to keep it secret and (iv) that the alleged infringer has acquired the information unlawfully. Courts tend to assess the misappropriation on a case-by-case basis by taking into consideration several circumstances, including for example:

- (i) the nature of the information, e.g. information related to the commercial practices applied to clients and suppliers are supposed to be confidential as specifically relevant to the owner;
- (ii) the type of product manufactured/distributed by the defendant, e.g. if the nature of the product is such as that it could not be manufactured without having access to the secret information and reverse engineering of the product – which is in principle allowed – is difficult and costly;
- (iii) the relationship within the parties, e.g. where the defendant is an ex-employee who had access to secret information and was subject to non-disclosure obligations; and

- (iv) the ease or difficulty with which information could be properly acquired or duplicated by others.

5. What defences are available to the defendant in a trade secrets action?

The most common defense available to the defendant in trade secrets litigation is that the information has been developed autonomously. Another common argument raised by the defendant is that the relevant information does not meet the requirements set out by article 98 of the IPC, since it was generally known or it was not kept secret.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

The requisite that is most considered by Italian Courts to grant or not protection to trade secret is the secret nature of the information and the economic value that said information has just because it is kept secret. In order to determine the commercial value of the secret information Courts consider several elements, including (i) the extent to which the information is known outside and inside (by employees) the enterprise; (ii) the amount of efforts in terms of time, human and financial resources contributed by the owner to achieve the information; (iii) the costs that a competitor should sustain to autonomously obtain the information; (iii) the advantages that the owner of the information has on competitors which do not have said information; (iv) the savings in terms of costs and time that a third party using said information would benefit.

7. As to award of damages:

- (a) What are the available options?

Damage compensation can be primarily claimed on the basis of material damages and loss of profits which are a direct and immediate consequence of the infringement (article 1223 of the ICC).

Where the plaintiff is not able to provide adequate evidence of the damages suffered (evidence on material damages is not particularly complicated, whereas the loss of profits could turn out to be more difficult to substantiate), damage compensation may be claimed in general terms and quantification referred to the Court's equitable evaluation (article 1226 of the ICC).

In any case, in awarding damages, the Court shall take into consideration the plaintiff's contributory negligence. Damages are not due where damages could have been avoided by using the ordinary diligence (article 1227 of the ICC).

Pursuant to article 125 of the IPC, besides the general principles mentioned above, damages may also include (i) the loss of profits suffered by the plaintiff, (ii) the profits obtained by the infringer from the infringing activity; (iii) the average royalty which would be due if the infringer had obtained a license to use the information and (iii) the moral damages.

- (b) What are the criteria to determine and calculate damages?

Damages are usually awarded alternatively on the basis of:

- (i) *The loss of profit* suffered by the owner of the information: this is quite a difficult evidence to be provided by the IP right owner, as a negative turnover

may depend on many and different circumstances. In any case, the quantification of damages based on this criterion shall not be lower than the royalties that the infringer would have paid if he had obtained a license from the IP right owner.

- (ii) *The average royalty* which the infringer would have paid if he had obtained a license from the IP right owner. In this case the IP right owner is requested to submit evidence of the market average royalty applied to licenses of similar nature.
- (iii) *The account of profits*: this is a restitutionary remedy intended to deprive the infringer of the benefits received by its wrongdoing. Said liquidation can be claimed in addition to the loss of profit to the extent its amount is higher than the latter. The quantification is based on the review of the relevant commercial documentation of the infringer, including sales invoices and accounting books, as well as any other documentation that may be useful to determine the extent of the infringement. On request of the owner of the information the Judge orders the infringer to submit the relevant documentation. However the law does not provide any compelling provisions in case the infringer refuses or omits to submit all the relevant documentation. In this case the infringer behavior will be taken into consideration by the Court to determine the overall compensation under point (iv) below. The technical review is carried out by an expert appointed by the Court. The parties may appoint their own technical experts to assist to the operations.
- (iv) *The Court equitable evaluation*: in cases where the Judge has not sufficient elements to exactly quantify the damage suffered by the trade secrets owner, the quantification of damages may be made on the basis of the overall acts of the proceeding and the presumptions that the Judge has derived therefrom, including the importance of the infringement and the conduct of the infringer during the proceeding (for example the non cooperation of the infringer with the Court, the refusal to submit the relevant commercial documentation or a partial submission, etc. are elements that usually negatively impact on the calculation of damages).

(c) Are punitive damages available for breach of trade secrets?

Punitive damages are not recognized by Italian law.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

There are no official statistics on this kind of figures. Courts award damages on a case by case basis, depending on the damages effectively proved by the claimant, and the amount may vary sensibly (the Court of Milan in its decisions of June 13, 2007 and March 31, 2004 – both mentioned under section A.7 above – has awarded damages for respectively 1.100.000,00 and 10.000.000,00 Euro. These seem however to be isolated cases).

It must be noted that a relevant part of cases involving trade secrets infringement are dismissed by Courts for lack of evidence of the secret nature of the information or for lack of evidence of the misappropriation. Many other cases are settled between the parties.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure



agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

The law does not distinguish between the different cases of trade secret violations and the available remedies are in principle the same in all cases. Differences may apply, on a case by case basis, with regard to damages award.

9. Are the remedies identified for your jurisdiction also enforceable against:
- (a) A person who obtains trade secrets in good faith? and/or
  - (b) A person who autonomously developed the same information?

Article 99 of the IPC excludes from protection trade secrets which have not been acquired, disclosed or used unlawfully. The owner of a trade secret may therefore not prevent a third party from using the information if said third party has obtained the information in good faith, i.e. without being aware of the unlawful origin of the information and the owner is not able to demonstrate that the defendant-receiver was aware of the misappropriation.

Furthermore, article 99 of the IPC excludes from protection trade secrets which have been autonomously achieved by a third party.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- (a) While the employee is still employed?

Pursuant to article 2105 of the ICC, while employed the employee has a general duty of loyalty towards the employer. Accordingly, during such period the employee shall not (i) do any work for a competitor and/or (ii) disclose employer's confidential information relating to its organization and production processes, as well as any other confidential information he/she learns during the employment relationship.

Notwithstanding the statutory duty of loyalty, it is common practice to require the employee to sign a confidentiality agreement at the time he/she is employed (confidentiality and non-disclosure obligations may also be included in the employment agreement). Confidential obligation may remain valid and in force also after termination of the employment relationship without the employee being entitled to any compensation.

- (b) Once the employee has left his employment?

After termination of the employment relationship, provided no non-compete agreement/clauses has been signed by the employee, the employee is free to work for a competitor or to establish his own business in competition with his former employer.

To be valid and enforceable non-compete obligations shall clearly specify: (i) the duration of the obligation, which may not exceed 5 years for the executives and 3 years for the other employees; (ii) the territorial extension; (iii) the work activities which the employee shall not perform; (iv) the compensation which shall be proportionate to the restrictions applied to the former employee. Such amount can be paid during the employment relationship or after its termination.

- (c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses

generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Example of non-disclosure clause usually included in employment contracts:

*"Both during the term of this Agreement and thereafter, you shall not, without our prior written consent, communicate to any third party or otherwise disclose, or use to your own benefit, or for any purpose other than what necessary or appropriate to the effective and efficient discharge of your duties under this employment Agreement, any confidential information concerning our business or affairs and/or the business or affairs of any Group Company. Confidential information shall include, but shall not be limited to: (i) all types of information even those that do not concern the business organization or production methods; (ii) trade secrets; (iii) information relating to Group Companies, and/or our suppliers, and/or our actual or potential customers; (iv) information obtained by you from any source, while negotiating this Agreement, while performing it or after the termination of this Agreement but still in connection with the employment Agreement; exception only made for information which is already available to the general public."*

Example of non-compete clause included in employment contracts or separate agreements signed at any time during or at termination of the employment relationship (the following clause is usually inserted only in employment contracts with key employees, where it is really necessary to avoid that the employee performs any working activity in competition with the Company for a certain period of time after the end of the employment relationship):

*"1. After the termination, for any reason, of this Agreement, you shall be bound not to carry out and not to engage in, not to plan and prepare, directly or indirectly, as proprietor, partner, shareholder, director, executive, employee, agent, consultant, collaborator, or in any other capacity or manner, in any activity in competition with our Company.*

*More specifically, this covenant not to compete extends to the scope defined by the following limitations:*

- *purpose of the activity: [insert the purpose of the activity of the Company];*
- *geographical area: [indicate the area where the employee will not be entitled to perform activities in competition with the Company. We suggest indicating specific areas of the Italian territory. According to current case law, in fact, if the geographical area is too wide, the non competition agreement may be hardly enforceable].*  
*[the following is not a mandatory legal requirement; the wording may be useful in case limitations are desired with regard to specific competitors]*
- *competing undertakings: [list, or alternatively] undertakings that have been customers of the Company, (including occasional clients and not on a continuous basis), at any time during the [ ] months prior to termination of employment.*

*2. After the termination, for any reason, of this Agreement you shall not, directly or indirectly:*

- (A) *recruit employees of the Company or employees of other Group Companies, solicit them to terminate their employment with us, whether or not for the purposes of hiring them;*
- (B) *solicit or encourage or assist third parties in performing the activities mentioned under point (A) above;*
- (C) *act for clients of the Company for which you acted or with whom you has been in touch during the past 12 months before the effective termination date, as employee, agent, consultant, collaborator, partner, shareholder, director, or in*

any other capacity or manner.

3. As a consideration for the undertakings under Clauses 1 and 2 the Company shall pay you, following termination of the Agreement, a gross amount equal to ..... (..... per cent) of your last gross fixed compensation during the 365 (working and non-working) days preceding the effective date of termination. Should the Agreement last less than 365 days, the compensation for your obligations shall be equal to .....% (..... per cent) of your average daily gross fixed compensation (calculated taking into account both working and non-working days) during your employment with the Company, times 365. Any benefit or variable compensation in addition to the fixed compensation shall not be taken into account. The total gross amount, determined as specified in this Clause 3, shall be the compensation for your obligations during the whole period under Clause 6 below and will be paid on a monthly basis in equal instalments.

4. Throughout the duration of the Clauses 1 and 2, in order to allow the Company to check your compliance of the same, you undertake to immediately inform our Company of any business activity that you engaged in, in any of the ways described under Clause 1 above, as well as any other activities, including non-business ones started by yourself and that may be inconsistent with the obligations undertaken herewith. Moreover you undertake to answer promptly and in an exhaustive way to any requests of information that the Company may ask you with regard to the activities performed by you and to make available to us any documents concerning them that you may have, including information and documents regarding interests that you indirectly possess, through fiduciaries.

5. Throughout the duration of this Agreement, you undertake to inform your future employers, contract awarding parties, principals, contractual parties, administrative bodies of companies of which you become director or shareholder, of the restrictions set forth in this Agreement, before undertaking obligations, or, depending on cases, purchase interests in them.

6. The duration of your obligations under Clauses 1 and 2 shall be [the maximum statutory limitation is: (i) five years for executives, but usually restrictions do not exceed 1-2 years; (ii) three years for the other employees (including middle managers)] months starting as of the end of your employment relationship with us.

7. You agree that any breach of Clause 1 and/or any breach of 2 and/or any breach of Clause 4, would immediately and throughout the duration of the non compete provision cause irreparable damages to us and therefore you agree that we shall, under those circumstances, be entitled to obtain a Court's order for specific performance, as well as adequate injunctive relief or any other adequate judicial measure, to immediately stop such breach. You recognize also that this Agreement would by itself constitute sufficient and final Court evidence of the requirements necessary in order to obtain any of the above judicial measures, except for summary evidence concerning the carrying out of competing activity by you. The above with no prejudice for any other right that we may have as a consequence to said breach.

8. In addition to the above, you hereby agree that for any breach of even one of the obligations undertaken by you through this Clause [ ], you shall pay to us, by way of liquidated damages, an amount equal to 100 % (one-hundred per cent) of your last gross fixed compensation during the 365 (working and non-working) days preceding the effective date of termination. Should this Agreement last less than 365 days, the amount of liquidated damages that you shall pay to us shall be equal to 100 % ( one-hundred per cent) of your average daily gross fixed compensation (calculated taking into account both working and non-working days) during your employment, times 365. In any event the Company may seek further damages, if any. Any

*benefit or variable compensation in addition to the fixed compensation shall not be taken into account”.*

Non-disclosure and non-compete clauses are not mandatory and it is completely up to the parties whether or not to provide them. If the clauses meet the statutory requirements (in particular the non-compete obligation) they are in principle enforceable.

In case of breach of the non-compete obligations, the employer may bring an action against the former employee in order to (i) obtain an injunction prohibiting the employee from further carrying on the unlawful activity; (ii) claim the termination of the agreement and obtain the reimbursement of the compensation paid to the employee in connection with the non-compete obligation; (iii) obtain payment of the liquidated damages provided for by the non-compete agreement and damages (if any).

Should the employee breach the non-disclosure obligation, the employer may bring an action for unfair competition against the new employer of the former employee alleging that the new employer has taken unfair advantage from the use of the secret information. It must be noted that, according to the prevailing case law, the employer may however not prevent the employee from using the information which is part of his deal of knowledge and experience accrued during the employment relationship and not falling within the employer industrial and production secrets and/or specific work product confidential information, and provided they have been lawfully acquired.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

Civil vs Criminal remedies: Italian criminal law provides only limited protection for trade secrets in very limited circumstances. Furthermore the holder of a trade secret may not provide any specific evidence on the infringement of business confidential information nor he may apply for *ex parte* orders, as he is not considered to be party in the trial. The investigations are carried out by the Public Prosecutor who may call witnesses and ask for the submission of documents, in order to prove that the defendant committed the offence. The dismissal or not of the case it is therefore in the Public Prosecutor's sole and exclusive control.

On the other side, in cases where the infringer is brought to trial, criminal remedies allows the holder of trade secrets to obtain a judgment against the persons in charge with the offence more quickly than in civil or administrative proceedings. This also results in lower costs for the holder of trade secrets to litigate a case, since in criminal proceedings the opposing party of the defendant is the Public Prosecutor and the holder may only file a claim for compensation of damages within the trial (as he may do in a civil lawsuit).

Civil vs Administrative remedies: antitrust legislation does not provide for a specific protection of trade secrets and recourse to more general remedies might turn out to be very complex (e.g. necessity to ascertain the dominant position of the a party) and not effective.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

The most common practices adopted by companies to protect their trade secrets are non-disclosure/confidentiality agreements. Trade secrets are protected vis-à-vis employees by providing confidential and/or non-compete provisions in employment

contracts or in separate agreements. Confidential obligations may also be included in unilateral documents like service orders, internal policies or secrecy protocols. Also password and username to access databases and in general electronic documents, as well as written warnings like "this document is confidential and must not be copied or otherwise reproduced", are commonly adopted. With respect to third parties, common secrecy measures include confidential and non-disclosure agreements.

Confidential and non-disclosure obligations included in agreements are generally enforceable. Other solutions like unilateral policies, internal service orders, secrecy protocols, as well as the use of login procedures, etc. may not be enforceable under contract law if there is no evidence that they have been acknowledged and accepted by the infringer. In any case they may constitute strong evidence of the secrecy of the information and may be used in Courts as evidence of the infringement.

13. With regards to non disclosure and non use agreements:

(a) Are they effective and enforceable in your jurisdiction?

Yes, provided they meet the requirements set forth by the law, if any (e.g. non-compete agreements).

(b) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Enforcement of non-disclosure and non use agreements is based on contract law (breach of contract obligations). Nevertheless, breach of said agreements may also entail a breach of unfair competition and of IP laws.

(c) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

No, Italian law and case law does not recognize the doctrine of inevitable disclosure. According to the prevailing case law, the ex-employee who is not bound by a non-disclosure, non-use or non-compete obligations may not be prevented from using its deal of knowledge when employed by a competitor. The only information that the ex employee must not use/disclose to the new employer is the information which belongs to the former employer's proprietary asset (and which meets the requirements set forth by article 98 of the CIP) and which can be kept separate from the personal knowledge and skills of the employee.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

(a) Place where trade secrets are created/conceived, and/or

(b) Place where misappropriation of trade secrets takes place, and/or

(c) Place where unlawful use of trade secrets takes place, and/or

(d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

We answer this question assuming that the litigation is not based on contractual rights, i.e. that the action is aiming at enforcing protection of trade secrets out of contractual obligations entered into between the parties. We therefore assume that the enforcement is requested under the law provisions applicable to non-contractual matters.

Give the definition of the scope of application of the domestic/international/EU provisions concerning jurisdiction, we will differentiate the answers based on the domicile of the defendant.

a) Within European Union (i.e. if the defendant is domiciled within the EU)

Within the European Union the judicial competence is determined by Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("Bruxelles Regulation"). Despite Sec. 1 (3), Bruxelles Regulation now also applies to Danish defendants, as Denmark joined the Bruxelles Regulation due to an international agreement with effect of 1<sup>st</sup> July 2007 (Agreement between the European Community and the Kingdom of Denmark on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters).

In the context of the infringement of trade secrets, the most relevant provision is Article 5 no. 3 of Bruxelles Regulation, according to which - in matters relating to tort, delict or quasi-delict - the courts for the place where the harmful event occurred or may occur are considered to be competent. As to the referred examples, Article 5 no. 3 will therefore give grounds for the jurisdiction of the Italian courts in the cases b) or c), provided that the misappropriation/misuse of the trade secrets took place in Italy, irrespective of whether the parties are domiciled in a EU country other than Italy.

On the contrary, in principle the place where trade secrets are created/conceived (case a) above) is irrelevant as to the identification of the competent jurisdiction.

The above arguments do not prevent, of course, that an action is taken in Italy under Article 2 of Bruxelles Regulation, anytime the defendant is domiciled in Italy, irrespective of where the misappropriation/misuse of the trade secret occurred.

Article 22 of Bruxelles Regulation does not apply, as trade secrets do not have to be registered in order to gain protection.

b) As to the relationships with Iceland, Switzerland and Norway (i.e. if the defendant is domiciled in Iceland, Switzerland and Norway)

With regards to Iceland, Switzerland and Norway the competent jurisdiction is determined under the revised version of the Lugano Convention. As the provisions of the Lugano Convention are predominantly identical to the Bruxelles Regulation, the competent jurisdiction is determined exactly as explained above.

c) Outside Europe (i.e. if the defendant is domiciled in a non-EU country other than Iceland, Switzerland and Norway)

Outside Europe the competent jurisdiction is determined under Articles 3 ff. of the Law no. 218 of May 31, 1995 (the "International law").

The provisions of the International law are predominantly identical to those of Bruxelles Regulation. Among the other things, Article 3, par. 2, makes reference to some of the jurisdiction criteria provided by the (now abolished) Bruxelles Convention of 1968, including Art. 5 no. 3 concerning the jurisdiction in tort matters. Such a provision is analogous to Article 5 no. 3 of Bruxelles Regulation.

In conclusion, the competent jurisdiction is determined exactly as explained above.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

Judgments issued in EU countries are recognized in Italy under Bruxelles Regulation.

Even if, to our knowledge, there is no Court precedents, it is our view that the circumstance that the trade secrets (subject matter of the foreign judgment) would not be regarded as protectable according to Italian law should not amount *per se* to a violation of Italian international public policy principles, which would prevent a foreign judgment from being enforceable in Italy. Of course, in this case - as for any other foreign decision - a judgment could not be enforced in Italy if it awards punitive damages or if the defense rights were breached during the proceeding (in fact, both these cases constitute a violation of Italian public policy).

The conclusion does not change for judgments issued in Iceland, Norway and Switzerland, which would be recognized under the new Lugano Convention, and for judgments issued in the remaining countries, which will be enforced under Article 64 of the International law. In this latter case, the only significant difference is that only a judgment which has become "final" is enforceable in Italy.

## Japan

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Yes, the Unfair Competition Prevention Act (the "UCPA". Law No. 47 of May 19, 1993, as amended) provides the specific provisions on the protection of trade secrets.

Also, the Intellectual Property Basic Act (the "IPBA". Law No. 122 of December 4, 2002, as amended) is the statute about basic principle (or philosophy) for the creation of new intellectual property and effective exploitation of such intellectual property. It provides the definition of the "Intellectual Property" which includes the trade secret.

Further, in the civil proceedings, certain documents, which are necessary for the case, are also to be protected as trade secret. To coordinate the necessity to submit the documents as the evidence and to protect the documents as the trade secret, the Code of Civil Procedure (the "CCP") provides the general rules. Plus, certain acts related to the intellectual property (e.g., the Patent Act) provide the specific rules in certain types of litigation (e.g., patent litigation) to coordinate those necessities.

For further details of those legislations, please see our answer to Question A-2 below.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

#### 2.1 Substantive Laws

##### (a) Unfair Competition Prevention Act

Trade secret is defined by Article 2(6) of the UCPA as follows:

"The term 'trade secret' as used in this Act means technical or business information useful for commercial activities such as manufacturing or marketing methods that is kept secret and that is not publicly known."

Also, the UCPA provides the definition of unfair competition which comprises of fifteen (15) patterns of unfair competition conducts, six (6) of which relate to trade secret. In other words, the UCPA specifies not only the information covered by protection as trade secret but also conducts which are prohibited by the UCPA. Therefore, in civil actions against trade secret infringement under the UCPA, plaintiffs are awarded compensation for damages and / or injunction if they succeed in proving:

- the information at issue is trade secret; and
- the defendant's conduct falls into one of the patterns of unfair competition.

The English translation of the relevant articles are as follows:



(i) The definition of "trade secret"

	English Translation
Article 2 (6)	The term 'trade secret' as used in this Act means technical or business information useful for commercial activities such as manufacturing or marketing methods that is kept secret and that is not publicly known.

(ii) The definition of "Unfair Competition"

	English Translation
Article 2 (1)	The term "unfair competition" as used in this Act means any of the following:
(iv)	acts of acquiring a trade secret by theft, fraud, duress or other wrongful means (hereinafter referred to as "acts of wrongful acquisition"), or the act of using or disclosing a trade secret so acquired (including the act of disclosing such trade secret in confidence to a specific person or persons; the same shall apply hereinafter)
(v)	acts of acquiring a trade secret with the knowledge that such trade secret has been acquired through acts of wrongful acquisition or without the knowledge of such matter due to gross negligence, or acts of using or disclosing a trade secret so acquired
(vi)	acts of using or disclosing a trade secret after becoming aware or not becoming aware of such matter due to gross negligence;, subsequent to its acquisition, that such trade secret was acquired through wrongful acquisition
(vii)	acts of using or disclosing a trade secret, which has been disclosed by the business operator holding such trade secret (hereinafter referred to as the "holder" ), for the purpose of acquiring an illicit gain or causing injury to such holder
(viii)	acts of acquiring a trade secret with the knowledge or, without the knowledge due to gross negligence, that there has been an improper disclosure of such trade secret (which means, in the case prescribed in the preceding item, acts of disclosing a trade secret for the purpose prescribed in said item, or acts of disclosing a trade secret in breach of a legal duty to maintain secrecy; the same shall apply hereinafter) or that such trade secret has been acquired through improper disclosure, or acts of using or disclosing a trade secret so acquired
(ix)	acts of using or disclosing an acquired trade secret after becoming aware or not being aware of such matter due to gross negligence, subsequent to its acquisition, that there has been improper disclosure of such trade secret or that such trade secret has been acquired through improper disclosure

2.2 General Law – Intellectual Property Basic Act

The IPBA provides general matters which governs the basic policy about protection of intellectual properties and refers to trade secret. Below are relevant articles of the IPBA. However, it should be noted that the IPBA is a law prescribing the general governmental policies and does not directly govern either civil or criminal claims.

	English Translation
Article 1	(Purpose Restriction on Inspection, etc. for Secrecy Protection)
	The purpose of this Act is, for the objective of realizing a dynamic

	economy and society that is based on the creation of added values through the creation of new intellectual property and effective exploitation of such intellectual property in light of a growing necessity for intensifying the international competitiveness of Japanese industry in response to the changes in the social and economic situations at home and abroad, to promote measures for the creation, protection and exploitation of intellectual property in a focused and systematic manner by stipulating the basic principles on the creation, protection and exploitation of intellectual property and the basic matters to achieve the principles, clarifying the responsibilities of national government, local governments, universities, etc. and business operators, establishing the Intellectual Property Strategy Headquarters, and providing stipulations on the development of a strategic program on the creation, protection and exploitation of intellectual property.
Article 2	(Definition)
Article 2(1)	The term "intellectual property" as used in this Act shall mean inventions, devices, new varieties of plants, designs, works and other property that is produced through creative activities by human beings (including discovered or solved laws of nature or natural phenomena that are industrially applicable), trademarks, trade names and other marks that are used to indicate goods or services in business activities, and trade secrets and other technical or business information that is useful for business activities.
Article 2 (2)	The term "intellectual property right" as used in this Act shall mean a patent right, a utility model right, a plant breeder's right, a design right, a copyright, a trademark right, a right that is stipulated by laws and regulations on other intellectual property or right pertaining to an interest that is protected by acts.

### 2.3 Civil Procedure

#### (a) The provisions under the Code of Civil Procedure

The CCP has following provisions which are designed to prevent trade secret from exposure in civil court procedure in general.

	English Translation
Article 92	(Restriction on Inspection, etc. for Secrecy Protection)
Article 92 (1)	<p>Where a prima facie showing is made with regard to the following grounds, the court, upon the petition of a party concerned, may, by an order, limit the persons who may make a request for inspection or copying of the part of the case record in which the relevant secret is stated or recorded, issuance of an authenticated copy, transcript or extract of such part or reproduction of such part (hereinafter referred to as "inspection, etc. of the secret part") to the parties:</p> <p>(i) In the case record, a material secret regarding the private life of a party is stated or recorded, and the inspection, etc. of the secret part conducted by any third party would be substantially detrimental to the party concerned in his/her social life.</p> <p>(ii) In the case record, a trade secret (meaning a trade secret prescribed in Article 2(6) of the Unfair Competition Prevention Act; the same shall apply in Article 132-2(1)(iii) or (2)) held by a party is</p>

	stated or recorded.
Article 92 (2)	If a petition set forth in the preceding paragraph is filed, a third party may not make a request for inspection, etc. of the secret part until a judicial decision on the petition becomes final and binding.
Article 92 (3)	A third party who intends to make a request for inspection, etc. of the secret part may file a petition, to the court where the case record is stored, for revocation of the order set forth in paragraph (1), on the grounds that any of the requirements prescribed in said paragraph is not met or is no longer met.
Article 92 (4)	An immediate appeal may be filed against an order dismissing without prejudice the petition set forth in paragraph (1) and a judicial decision on the petition set forth in the preceding paragraph.
Article 92 (5)	An order to revoke the order set forth in paragraph (1) shall not become effective unless it becomes final and binding.
Article 132-2	(Inquiry prior to Filing of Action)
Article 132-2 (1) (iii)	<p>Where a person who intends to file an action has given by means of a document, to the person who is to be the defendant in the action, an advance notice of filing of an action (hereinafter referred to as an "advance notice" in this Chapter), the person who has given the advance notice (hereinafter referred to as the "advance noticer" in this Chapter), within four months after the day on which the advance notice has been given, may specify a reasonable period and make an inquiry by means of a document to the person who has received the advance notice in order to request him/her to make a response by means of a document, before the filing of the action, with regard to the matters that would be obviously necessary for preparing allegations or proof should the action actually be filed; provided, however, that this shall not apply if the inquiry falls under any of the following items:</p> <p>(iii) Inquiry with regard to the matters concerning a trade secret held by the opponent or a third party</p>
Article 220	(Obligation to Submit Document)
Article 220 (iv) (c)	<p>acts of using or disclosing an acquired trade secret after becoming aware or not being aware of such matter due to gross negligence, subsequent to its acquisition, that there has been improper disclosure of such trade secret or that such trade secret has been acquired through improper disclosure</p> <p>(iv) In addition to the cases listed in the preceding three items, in cases where the document does not fall under any of the following categories:</p> <p>(c) A document stating the fact prescribed in Article 197(1)(ii) or the matter prescribed in Article 197(1)(iii), neither or which are released from the duty of secrecy</p>
Article 197 (1) (ii)/(iii)	<p>In the following cases, a witness may refuse to testify:</p> <p>(ii) Cases where a doctor, dentist, pharmacist, pharmaceuticals distributor, birthing assistant, attorney at law (including a registered foreign lawyer), patent attorney, defense counsel, notary or person engaged in a religious occupation, or a person who was any of these professionals is examined with regard to any fact which they have learnt in the course of their duties and which should be kept secret</p>

	(iii) Cases where the witness is examined with regard to matters concerning technical or professional secrets
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(b) The provisions under the other laws

In addition to the procedures established by the CCP, the acts regarding intellectual property rights (e.g., the UCPA, the Patent Act, Trademark Act and Copyright Act) and Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (the "Anti-monopoly Act") also establish specific procedures which are applicable to civil proceedings regarding infringements of each intellectual properties right or violation of the Anti-monopoly Act.

(i) Confidentiality / Protective Order

In a lawsuit, the court may order a party (including its representative, attorney and employee), a counsel, or an assistant not to use the trade secret for any purpose other than pursuing the lawsuit or not to disclose it to a person other than co-addressees of the order those. Criminal punishments for violation of the order are stipulated as well.

	English Translation
Article 10 of the Unfair Competition Prevention Act	<p>(Protective order)</p> <p>(1) In a lawsuit for the infringement of business interests by unfair competition, where there is prima facie evidence showing that a trade secret held by a party of the lawsuit falls under both of the following grounds, the court may, upon motion of the party and by means of a ruling, order a party, etc., a counsel, or an assistant not to use the trade secret for any purpose other than pursuing the lawsuit or to disclose it to a person other than those who have received the order prescribed in this paragraph with regard to said trade secret; however, this does not apply when the party, etc., the counsel, or the assistant had already acquired or held the trade secret by means other than the reading of the brief prescribed in item 1 or the examination or disclosure of evidence prescribed in the same item:</p> <p>(i) the trade secret held by the party is written in an already-produced or a to-be-produced brief, or included in the contents of already-examined or to-be-examined evidence (including documents disclosed pursuant to Article 7(3) or a document disclosed pursuant to Article 13(4)); and</p> <p>(ii) the party's business activities based on the trade secret under the preceding item are likely to become hindered by the use of said trade secret for purposes other than pursuing the lawsuit or its disclosure, and it is necessary to restrict the use or disclosure of the trade secret in order to prevent this.</p> <p>(2) A motion for the order prescribed in the preceding paragraph (hereinafter referred to as the "protective order" ) shall be made in writing and include the following matters:</p> <p>(i) the person to whom the protective order to be issued;</p> <p>(ii) facts that are sufficient for identifying the trade secret to</p>

	<p>be made the subject of the protective order; and</p> <p>(iii) facts that fall within the grounds listed in the respective items of the preceding paragraph.</p> <p>(3) When issuing a protective order, the court shall serve a decision letter on the person to whom the protective order was issued.</p> <p>(4) A protective order takes effect when a decision letter is served on the person to whom the protective order was issued.</p> <p>(5) When the court dismisses a motion for a protective order, the party may lodge an immediate appeal against the decision.</p>
<p>Article 105-4 of the Patent Act</p>	<p>(Protective order)</p> <p>(1) In litigation concerning the infringement of a patent right or exclusive license, where there is prima-facie evidence of the fact that trade secrets (refers to trade secrets as provided in Article 2(6) of the Unfair Competition Prevention Act (Act No. 47 of 1993), the same shall apply hereinafter) possessed by a party satisfy all of the following paragraphs, the court may, upon a motion of the party, order by a ruling that the parties, etc., attorneys or assistants shall neither use the trade secrets for any purpose other than those for the proceedings of the litigation nor disclose the trade secrets to any person other than those who receive the order regarding the trade secrets under this provision; provided, however, that this shall not apply where the parties, etc., attorneys or assistants have, prior to the filing of the motion, already obtained or been in the possession of the trade secrets by a method other than by reading of the briefs under item (i) or through the examination or disclosure of evidence under the said item:</p> <p>(i) where the trade secrets possessed by the party were or are contained in the briefs already submitted or to be submitted or such trade secrets were or are contained in the evidence already examined or to be examined (including documents disclosed under Article 105(3) and under Article 105-7(4)); and</p> <p>(ii) where it is necessary to restrict the use or the disclosure of the trade secrets under the preceding paragraph to prevent any possible interference with the party's business activities based on the trade secrets, that might arise if the trade secrets are used for any purpose other than those for the proceedings of the litigation or if the said trade secrets are disclosed.</p> <p>(2) A motion requesting the order under the preceding paragraph (hereinafter referred to as a "protective order") shall be made in writing specifying the following matters:</p> <p>(i) the person(s) to whom the protective order is to be issued;</p> <p>(ii) the facts that clearly identify the trade secrets to be protected by the protective order; and</p> <p>(iii) the facts corresponding to the reasons each of the items in the preceding paragraph is applicable.</p>

	<p>(3) Where the protective order is issued, a written ruling thereof shall be served to the person(s) to whom the protective order is issued.</p> <p>(4) The protective order shall take effect as of the date the written ruling is served to the person(s) to whom the protective order is issued.</p> <p>(5) The decision dismissing a motion requesting the protective order shall be subject to immediate appeal.</p>
Article 30 of the Utility Model Act	Articles 104-2 to 106 (obligation to clarify the specific conditions (of infringement), restriction on exercise of rights of patentee, etc., production of documents, etc., expert opinion for calculation of damages, determination of reasonable damages, protective order, rescission of protective order, notice, etc. of a request inspection of record, etc., ban on open examination of parties, etc. and measures to restore credibility) of the Patent Act shall apply mutatis mutandis to infringement of a utility model right or exclusive license.
Article 41 of the Design Act	Articles 104-2 to 105-6 (Obligation to clarify the specific conditions, restrictions on the exercise of rights of patentee, etc., production of documents, etc., expert opinion for calculation of damages, determination of reasonable damages, protective order, rescission of protective order and notice, etc. of a request inspection of record, etc.) and 106 (Measures to restore credibility) shall apply mutatis mutandis to infringement of a design right or an exclusive license.
Article 39 of the Trademark Act	Articles 103 (Presumption of negligence), 104-2 to 105-6 (Obligation to clarify acts in concrete manner; Restriction on exercise of rights of patentee, etc.; Submission of documents, etc.; Expert opinion for calculation of damages; Determination of reasonable damages; Order to keep confidentiality; Rescission of confidentiality Order; Notification of petition requesting inspection of trial record, etc.) and 106 (Measures to restore credibility) of the Patent Act shall apply mutatis mutandis to the infringement of a trademark right and an exclusive right to use.
Article 114-6 of the Copyright Act	<p>(Protective order)</p> <p>(1) In a lawsuit pertaining to an infringement on the moral rights of author, copyright, right of publication, moral rights of performer or neighboring right, the court may, upon petition of a party, issue an order, in the form of a decision, to any other party, etc., trial counsel or assistant in court to a party or legal counsel, that trade secrets (means "trade secrets" as provided for in Article 2, paragraph (6) of the Unfair Competition Prevention Act (Act No. 47 of 1993); the same shall apply hereinafter) in the possession of the [petitioning] party shall not be used for purposes other than those in furtherance of said lawsuit and shall not be disclosed to persons other than those against whom an order pertaining to such trade secrets has been issued pursuant to the provisions of this paragraph, where a prima facie showing has been made that each of the reasons listed below applies; provided, however, that the foregoing shall not apply where, at the time of such petition, the party, etc. [against which the petitioned order is sought to be issued], trial counsel [against which the petitioned order is</p>

	<p>sought to be issued] or assistant in court [against which the petitioned order is sought to be issued] had already acquired or possessed such trade secrets by means other than through inspection of the briefs as provided for in item (i) or the examination of evidence or the disclosure provided for in that item.</p> <p>(i) trade secrets in the possession of such other party appear in briefs already produced or to be produced, or such trade secrets are contained in the evidence already examined or to be examined (including documents disclosed pursuant to the provisions of Article 114-3, paragraph (3));</p> <p>(ii) trade secrets provided for in the preceding item are to be used for purposes other than in the furtherance of said lawsuit, or it is likely that disclosure of such trade secrets will impede a party's business activities that are based upon such trade secrets, and in order to prevent such impediment, it is necessary to restrict the use or disclosure of such trade secrets.</p> <p>(2) The petition for the order pursuant the provisions of the preceding paragraph (hereinafter referred to as a "protective order") must be in writing, stating the following matters:</p> <p>(i) the person to whom the protective order is to issue;</p> <p>(ii) facts sufficient to identify the trade secrets to be subject matter of the protective order;</p> <p>(iii) facts respectively constituting the reasons provided for in each of the two items of the preceding paragraph.</p> <p>(3) In the case where a protective order has been issued, a written decision thereof must be served upon the person against whom such protective order will issue.</p> <p>(4) The protective order shall become effective from the time when the written decision has been served upon the person against whom such protective order will issue.</p> <p>(5) An immediate appeal may be lodged against a ruling dismissing a petition for a protective order.</p>
<p>Article 40 of the Plant Variety Protection and Seed Act</p>	<p>(Protective order)</p> <p>(1) In litigation pertaining to the infringement of a breeder's right or an exclusive exploitation right, where there is prima-facie evidence of the fact that trade secrets (refers to trade secrets as provided in Article 2 (6) of the Unfair Competition Prevention Act (Act No. 47 of 1993), the same shall apply hereinafter) possessed by a party satisfy all of the following conditions, the court may, upon the motion of the party, order by a ruling that the parties, etc., counsels or assistant in courts shall neither use the trade secrets for any purpose other than those for the proceedings of the litigation nor disclose the trade secrets to any person other than those who receive the order regarding the trade secrets under this provision. However, this shall not apply where the parties, etc., counsels or assistant in</p>

	<p>courts have, prior to the filing of the motion, already obtained or been in the possession of the trade secrets by a method other than by reading of the briefs under item (i) or through the examination or disclosure of evidence under the said item.</p> <p>(i) where the trade secrets possessed by the party were or are contained in the briefs already submitted or to be submitted or in the evidence already examined or to be examined (including documents disclosed pursuant to the provision in Article 37 paragraph (3) or Article 43 paragraph (4)); and</p> <p>(ii) where it is necessary to restrict the use or the disclosure of the trade secrets prescribed in the preceding item to prevent any possible interference with the party's business activities based on the trade secrets, which might arise if the trade secrets are used for any purpose other than proceedings of the litigation or if the said trade secrets are disclosed.</p> <p>(2) A motion requesting the order under the preceding paragraph (hereinafter referred to as "protective order") shall be made in writing specifying the following matters:</p> <p>(i) the person(s) to whom the protective order is to be issued;</p> <p>(ii) the facts that clearly identify the trade secrets to be protected by the protective order; and</p> <p>(iii) the facts corresponding to the reasons each of the items in the preceding paragraph is applicable.</p> <p>(3) Where the protective order is issued, a written ruling thereof shall be served to the person(s) to whom the protective order is issued.</p> <p>(4) The protective order shall take effect as of the date the written ruling is served to the person(s) to whom the protective order is issued.</p> <p>(5) The judicial decision dismissing a motion requesting the protective order may be subject to immediate appeal against a ruling.</p>
<p>Article 83-5 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade</p>	<p>(1) In litigation pertaining to the suspension or prevention of infringements under the Provisions of Article 24, where there is prima-facie evidence of the fact that trade secrets (refers to trade secrets as provided in Article 2 (6) of the Unfair Competition Prevention Act (Act No. 47 of 1993), the same shall apply hereinafter) possessed by a party satisfy all of the following conditions, the court may, upon the motion of the party, order by a ruling that the parties, etc., counsels or assistant in courts shall neither use the trade secrets for any purpose other than those for the proceedings of the litigation nor disclose the trade secrets to any person other than those who receive the order regarding the trade secrets under this provision. However, this shall not apply where the parties, etc., counsels or assistant in courts have, prior to the filing of the motion, already obtained or been in the possession of the trade secrets by a method other than by reading of the briefs under</p>



	<p>item (i) or through the examination or disclosure of evidence under the said item.</p> <p>(i) where the trade secrets possessed by the party were or are contained in the briefs already submitted or to be submitted or in the evidence already examined or to be examined (including documents disclosed pursuant to the provision of paragraph (3) of the preceding Article); and</p> <p>(ii) where it is necessary to restrict the use or the disclosure of the trade secrets prescribed in the preceding item to prevent any possible interference with the party's business activities based on the trade secrets, which might arise if the trade secrets are used for any purpose other than proceedings of the litigation or if the said trade secrets are disclosed.</p> <p>(2) A motion requesting the order under the preceding paragraph (hereinafter referred to as "protective order") shall be made in writing specifying the following matters:</p> <p>(i) the person(s) to whom the protective order is to be issued;</p> <p>(ii) the facts that clearly identify the trade secrets to be protected by the protective order; and</p> <p>(iii) the facts corresponding to the reasons each of the items in the preceding paragraph is applicable.</p> <p>(3) Where the protective order is issued, a written ruling thereof shall be served to the person(s) to whom the protective order is issued.</p> <p>(4) The protective order shall take effect as of the date the written ruling is served to the person(s) to whom the protective order is issued.</p> <p>(5) The judicial decision dismissing a motion requesting the protective order may be subject to immediate appeal against a ruling.</p>
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(ii) In camera examination of the parties

In case a party to a civil action is examined as a testifier, the court may decide to hold in camera (i.e., closed) examinations when the testifier needs to testify matters pertaining to trade secret, when the specific requirements prescribed by each of the following provisions are satisfied.

	English Translation
Article 13 of the Unfair Competition Prevention Act	<p>(In camera examination of the parties)</p> <p>(1) In a lawsuit for the infringement of business interests by unfair competition, where a party, etc. is to be examined as a party itself or a legal representative or as a witness with regard to a matter that serves as the basis for determining the presence or absence of the infringement and falls under a trade secret held by the party, and when the court, by the unanimous consent of the judges, finds that the party, etc., is unable to give sufficient statements regarding the matter</p>

	<p>because it is clear that giving statements regarding the matter in open court will significantly hinder the party's business activities that are based on the trade secret, and that, without said statements by the party, the court is unable to make an appropriate decision on the presence or absence of infringement on business interests by unfair competition which should be made based on the determination of said matter, it may conduct the examination on the matter in camera by means of a ruling.</p> <p>(2) The court shall hear the opinion of the party, etc. before making the ruling under the preceding paragraph.</p> <p>(3) In the case of the preceding paragraph, the court may order the party, etc. to produce a document that outlines the matters to be stated. In such a case, no person may request disclosure of the produced document.</p> <p>(4) Where the court finds it necessary to disclose the document under the second sentence of the preceding paragraph and to hear the opinion of the party, etc., the counsel, or the assistant, it may disclose the document to such person.</p> <p>(5) Where the court will conduct examination on a matter in camera pursuant to the provision of paragraph 1, it shall render a judgment to that effect and the reason thereof to the members of the public present before making them leave the courtroom. When the examination on the matter ends, the court shall have the members of the public reenter the courtroom.</p>
<p>Article 105-7 of the Patent Act</p>	<p>(Ban on open examination of parties, etc.)</p> <p>(1) When a party, etc., to litigation concerning the infringement of a patent right or exclusive license is to be examined as a party to the litigation, as its statutory representative or as a witness, with regard to matters that will be a basis for the determination of the existence or non-existence of the said infringement, and such matters are trade secrets possessed by a party, the court may, by a ruling, elect to hold closed examinations of such matters where the court, upon the unanimous consent of all judges, finds that the parties, etc. will be unable to make sufficient statements regarding the matters due to the obvious fact that making statements regarding the matters at an open examination will significantly interfere with the business activities of the party based on such trade secrets and that, without such statements, a proper decision on the fact of the existence or non-existence of the infringement of a patent right or exclusive license that ought to be made based on the said matters may not be made based solely on other evidence.</p> <p>(2) The court shall, in rendering the ruling as provided in the preceding paragraph, hear the opinions of the parties, etc., in advance.</p> <p>(3) In the case of the preceding paragraph, where necessary, the court may cause the parties, etc., to present a document stating the gist of the matters to be stated. In such a case, no</p>

	<p>person may request the disclosure of the document presented.</p> <p>(4) When the court finds it necessary to hear opinions by disclosing the document as provided in the latter sentence of the preceding paragraph, the court may disclose the document to the parties, etc., their attorneys or assistants.</p> <p>(5) Where the examination on certain matters is to be closed under paragraph (1), the court shall declare such fact and reasons therefor prior to requiring the public to leave the court. Upon completion of the examination on the said matters, the court shall allow the public to re-enter the court.</p>
<p>Article 43 of the Plant Variety Protection and Seed Act</p>	<p>(Suspension on Open Examination of Parties)</p> <p>(1) When a party, etc., to litigation pertaining to the infringement of a patent right or exclusive exploitation right is to be examined as a party to the litigation, its statutory representative or a witness, with pertaining to matters that will be basis for the determination of the existence or non-existence of the said infringement, and such matters are trade secrets possessed by a party, the court may, by a ruling, elect to hold closed examinations of such matters where the court, upon the unanimous consent of all judges, finds that the parties, etc. will be unable to make sufficient statements regarding the matters due to the obvious fact that making statements regarding the matters at an open examination will significantly interfere with the business activities of the party based on such trade secrets and that, without such statements, a proper decision on the fact of the existence or non-existence of the infringement of a patent right or exclusive exploitation right that ought to be made based on the said matters may not be made based solely on other evidence.</p> <p>(2) The court shall, in rendering the ruling as provided in the preceding paragraph, hear the opinions of the parties, etc. in advance.</p> <p>(3) In the case of the preceding paragraph, where necessary, the court may cause the parties, etc., to present a document stating the gist of the matters to be stated. In such a case, no person may request the disclosure of the document presented.</p> <p>(4) When the court finds it necessary to hear opinions by disclosing the document as provided in the second sentence of the preceding paragraph, the court may disclose the document to the parties, etc., their counsels or assistant in courts.</p> <p>(5) Where the examination on certain matters is to be closed under paragraph (1), the court shall render such fact and reasons therefor prior to requiring the public to leave the court. Upon completion of the examination on said matters, the court shall allow the public to re-enter the court.</p>

(iii) Exclusion from documents subject to disclosure by the patent office

Pursuant to the Patent Act, any person can request documents pertaining to patents which are held by the Japan Patent Office (Art. 186). However, it also prescribes an

exception to prevent trade Secret from exposure with this regard. The provision for that, which is applied mutatis mutandis to the Utility Model Act is as follows:

	English Translation
Article 186 of the Patent Act	<p>(Request for certificate, etc.)</p> <p>(1) Any person may file a request with regard to patents to the Commissioner of the Patent Office to issue a certificate, a certified copy of documents or an extract of documents, to allow the inspection or copying of documents, or to issue documents stored on the magnetic tapes that constitute the part of the Patent Registry; provided, however, that if the Commissioner of the Patent Office considers it necessary to keep such documents confidential, this provision shall not apply in the case of the following documents:</p> <p>(iii) documents concerning a trial for patent invalidation, a trial for invalidation of the registration of extension of the duration or a retrial of the final and binding trial decision in the such trials, with respect to which a party in the case or intervenor has given notice that a trade secret owned by the said party in the case or intervenor has been described (trade secret as provided in Article 2(4) of the Unfair Competition Prevention Act (Act No. 47 of 1993))</p>

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

- (a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.
- (b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g., definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

N.A.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

As described in Sections 1 and 2 above, in the IPBA, the definition of intellectual property includes trade secret under the UCPA along with the patent, copyright and other intellectual property rights. Therefore, we understand that the trade secret is regarded as unregistered intellectual property right.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

The statutes set forth in Section 2 above do not categorize trade secret. In that sense, both technical information and commercial information (e.g., customer list) can be protected as trade secret.

In addition, even if certain know-how or information does not meet the requirements of trade secret and therefore it cannot be protected as trade secret, we may still have a possibility to claim the compensation for damages based upon the tort law (in the Civil Code). Based upon the current court precedents, we understand that:

(A) The protection provided by the UCPA is the principle protection for the trade secret, know-how and the like. In other words, if certain information did not meet the requirements of trade secret, it would be difficult to make the claim against the person who had disclosed or used such information.

(B) However, certain cases where such disclosers or users behaved unjustly, the courts might admit the compensation for damages based upon tort law. Among the listed cases, in so called *Kotobuki* case (The Yokohama District Court Case No. 2006(wa)2668 (*Kotobuki* case) rendered as of March 27, 2008), the judge admitted that the compensation for damages is based upon the tort law. In this case, the judge pointed out that an employee owns the obligation of non-competition in certain situations and listed the factors to be considered such as the position and treatment of the employee, the influence of the conduct of the employee to the employer, the nature of such conduct and whether or not it was planned. Then, the judge emphasized the following specific factors:

- (i) The defendant was a manager of one of the hair salons owned by the plaintiff;
- (ii) Immediately before his retirement from the plaintiff, the defendant accepted the reservation of the new salon (the salon he was moving to) for the customers who asked for the reservation of the salon of the plaintiff; and
- (iii) The defendant brought the customer cards and made use of them, although the period of doing such thing was limited.

At the same time, we are aware of other cases in which both the trade secret claims and tort claims were denied. Roughly speaking, in those cases, the conduct of the defendants were still within the scope of free competition and there were no outrageous factors. We need to note that the protection by the tort law (in case the protection as the trade secret is denied) is quite limited.

We listed three (3) court precedents about such claim based on the tort law in Section 7 below, along with other cases related to trade secret.

Meanwhile, it should be noted that Article 5(1) of the UCPA, a provision prescribing the statutory presumption of amount of damage, explicitly states that it applies only to the unfair competition that involves a technical secret. Technical secret, in this regard is defined as a manufacturing method or other technical information useful for business activities that is kept secret and not publicly known. For the English translation of Article 5(1), please refer to our answer to Question B-7 (b) below.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices,

including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

The UCPA has been frequently amended recently. The policy behind those amendments are apparently the protection of trade secret, For example, criminal sanction was introduced and then the penalties became more severe as well as the scope covered by criminal sanction became wider. Also, the amendment would be intended to make the civil remedies more useful and workable. For example, the protective order was introduced not only in the UCPA but also in the Patent Act and certain other acts to protect trade secret during the civil proceedings.

The practice based upon the recent amendment has not been matured, and, to be honest, it is difficult to judge whether or not the current statutes are inadequate.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

While there is no one single leading case that generally governs civil claims against trade secret infringement, a large number of judgments have been made by courts of many instances.

Many of those judgments typically deal with the question as to whether or not the subject information falls into trade secret as defined by the UCPA.

As shown by the definition, information qualifies as trade secret when the information is:

- useful for commercial activities (the "Usefulness Requirement");
- controlled to be kept as a secret (the "Secret Control Requirement"); and
- not publicly known (the "Non-public Requirement").

Among these three requirements, the Secret Control Requirement is most frequently challenged by a defendant (see 7.1). Meanwhile, in some cases, the court dealt with two other requirements or with an issue as to whether or not the defendant's activity constitutes unfair competition (see 7.2).

In addition, some judgments refer to the question as to whether or not the defendant's use of the information constitutes a tort act even when the subject information does not falls into trade secret as defined by the UCPA (see 7.3).

Since ruling in those judgments largely depends on specific facts found in each case, it is difficult to figure out a general rule over trade secret infringement cases. Among those judgments, we have selected some typical cases which we think can help you understand the outline of possible issues pertaining to the protection of trade secrets infringement cases in Japan.

## 7.1 Judgment over Secret Control Requirement

### 7.1.1 Cases where the Secret Control Requirement is satisfied

It can be said that judgments in the following cases find the Secret Control Requirement satisfied because those who access the subject information could acknowledge that it was intended to be kept confidential.

(a) The Osaka District Court No. 1994(wa)4404 rendered as of April 6, 1996

The plaintiff was a relatively small men's hair wig company. The number of employees hired by the plaintiff was only seven. The defendant was an ex-employee of the plaintiff. He took plaintiff's customer list when he left his job at the plaintiff. The list was stamped "confidential" and stored inside a cabinet where visitors could not easily see. The defendant used the list at the other hair wig company by which he was hired immediately after.

The court ruled in the plaintiff's favor. The judgment stated that, considering the location where the file was stored and the size of the business or number of employees of the plaintiff, the control over the file had been so apparent that those who accessed the file could acknowledge that it was intended to be kept secret.

It should be noted that the control over the file in this case was relatively loose in comparison to other cases. The court stated that it would be too hard a burden for such a small business operator if stricter control had been required. It was one of the reasons why the court ruled in the plaintiff's favor. Considering that, this ruling would not apply to cases where the holder of information is a much larger business operator.

(b) The Osaka District Court Case No.2001(wa)10308 rendered as of February 27, 2003

The plaintiff was a company whose main business was to manufacture and sell ceramic condenser related machines and printers. The number of the plaintiff's employees was 10 in total. The defendants were ex-employees of the plaintiff (the "Defendant Former Employees") who joined a competitor company (also the defendant of this case. The "Defendant Company") after leaving the plaintiff. The Defendant Former Employees made 6000 unauthorized copies of Computer Aided Designs ("CAD data") before they left the plaintiff and used them for the Defendant Company. The CAD data had been saved in a stand-alone computer to prevent it from unexpected leakage. Therefore, only employees of the plaintiff could access the CAD data.

The court ruled in the plaintiff's favor. The judgment states that to satisfy the Secret Control Requirement, (i) the control over the file needs to be so apparent that those who access the file can acknowledge that it is a trade secret and (ii) the persons who can access the information are limited. The court found that both (i) and (ii) above were satisfied, taking the plaintiff's business size into account.

(c) The Fukuoka District Court Case No. 1999(wa)3694 rendered as of December 24,2002

The plaintiff was a manufacturer of precision machinery and the defendant was its competitor company. The defendant obtained plaintiff's CAD data from the plaintiff's insiders and used it for its own business. The defendant argued that the plaintiff did not satisfy the Secret Control Requirement because it sometimes provided some documents relevant to the CAD data to its customers without entering into non-disclosure agreements.

The court ruled in the plaintiff's favor. The judgment states that the lack of non-disclosure agreement with outsiders does not affect cases where the information was leaked by insiders, because insiders can acknowledge that the subject information is Trade Secret as long as proper control has been established by work rules or other internal regulations.

(d) The Osaka District Court Case No.1993(wa)8314 rendered as of December 22, 1998

The plaintiff claimed that the defendant misappropriated plaintiff's know-how regarding alteration nozzles. Relevant nozzles and necessary tools were kept in a locker placed inside a room in the manufacturing section of the plaintiff. Furthermore, officers and employees of the plaintiff had submitted pledges stating that they would not disclose information on the plaintiff's products.

The court ruled in the plaintiff's favor. This judgment is considered to be an example of many cases which found the Secret Control Requirement satisfied by both legal and physical limitations to access or disclosure of the subject information.

(e) The Tokyo District Court Case No. 1998(wa)15960 on July 23, 1999

The plaintiff claimed that the defendant, who was an ex-employee of the plaintiff, had misappropriated the plaintiff's customer list and sold it to the competitor company.

The court ruled in plaintiff's favor. With regard to the Secret Control Requirement, the judgment points out the fact that: the customer list was stored in a computer which was used for the sole purpose of maintenance of the customer list; the access to the customer list was controlled by way of requiring a password which had been changed every month; when the list had printed out, the paper had to be shredded unless the representative director had authorized to keep it; the work rule imposes confidentiality obligation upon employees; the defendant submitted a pledge not to disclose customer information. This judgment is also considered as one example where the Secret Control Requirement was satisfied by both legal and physical limitation control over the subject information.

(f) The Intellectual Properties High Court Case No.2007(wa)4916 and Case No.2008(wa)3404 rendered as of September 27, 2011

The plaintiff was a petroleum processing company. The defendant obtained plaintiff's designs of polycarbonate plants from the plaintiff's insiders and disclosed them to plaintiff's competitor company. The plaintiff employed many measures to protect the subject information, including posting a guard to the entrance of its factory where the subject technology was used, hanging a no-entry sign to the door of relevant buildings, or putting seals stating that the subject data should not be taken out of the designated area.

The court ruled in the plaintiff's favor. The judgment explicitly states as follows and finds that the plaintiff satisfied these requirements: "the requirement of 'kept secret' prescribed by Article 2(6) of the Unfair Competition Prevention Act means that the information is kept and controlled as a secret in a manner by which third parties and employees can acknowledge the subject information is treated as secret."

#### 7.1.2 Cases where the Secret Control Requirement is not satisfied

There are many cases where courts ruled in the defendants' favor because the Secret Control Requirement is not satisfied. The followings are such cases which were currently rendered.

(a) The Tokyo District Court Case No. 2008(wa)16126 rendered as of November 27,2009



The plaintiff, a real estate agency, claimed that the defendants including its ex-employees misappropriated its client list and such misappropriation constituted an unfair competition.

The court ruled in the defendants' favor. The judgment points out the lack of proper management of the client list. For example, the plaintiff did not set up (i) a password for access to the client list stored in the plaintiff's computers, or (ii) any internal rules regarding printed out client list. Due to the lack of such management, the judgment concludes that a person who accessed the subject information could not acknowledge that it had been kept as a secret and thus, the Secret Control Requirement was not satisfied.

(b) The Tokyo District Court Case No.2008(wa)853 rendered as of November 26, 2008

The plaintiff, a company which manufactures, imports or sells music records, claimed that the defendant, who was an ex-employee of the plaintiff, had misappropriated plaintiff's record supplier list for the plaintiff's competitor company after leaving the plaintiff. The defendant had entered into a non-disclosure agreement with the plaintiff when the defendant was employed by the plaintiff.

The court ruled in the defendant's favor. The judgment points out the lack of proper management of the subject information. In addition, it finds the language of the non-disclosure agreement between the parties too general, and therefore, it is uncertain if the supplier list was subject to the non-disclosure agreement.

(c) The Intellectual Properties High Court Case No.2011(ne)10019 rendered as of June 30, 2011

The plaintiff was a liquefied petroleum gas (LP gas) seller. The defendant was also a gas-related products seller and continuously purchased LP gas from the plaintiff. Then, the defendant began sales of LP gas to the customers of the plaintiff. The plaintiff claimed that the defendant misappropriated the plaintiff's customer list and such misappropriation constituted the Unfair Competition against the plaintiff.

The court ruled in the plaintiff's favor. This is also an example of cases where the Secret Control Requirement was not satisfied because proper control over the subject information was not taken and those who accessed the information could not acknowledge that it was kept as secret.

## 7.2 Other court precedents

(a) The Osaka District Court Case No. 2007(wa)11138 rendered as of November 4, 2008

The plaintiff claimed that the defendant illegally obtained the plaintiff's trade secret related to cement products. The defendant argued that the information in question was publicly known because it was the same as an invention of a third party that had been publicized by official patent gazette. It further argued that even if the information was different from the invention in some way, such difference did not make the information useful.

The court ruled in favor of the defendant. The judgment states that: (i) most part of the technical information which the plaintiff claimed to qualify as trade secret is substantially the same as the third party's invention publicized by official patent gazettes, and thus, it should be considered to have been publicly known; and (ii) although other part of the information differs from the third party's invention to a

certain extent, the difference is mere an ordinary contraption and thus, it is not useful information. Consequently, it was concluded that the information does not qualify as trade secret.

(b) The Osaka District Court Case No. 2001(wa)10308 rendered as of February 27, 2003

This judgment analyzes not only the Secret Control Requirement (as described in 7.1.1(b) above) but also the Non-public Requirement.

The defendant argued that subject information can be easily understood by reverse engineering of products in the market. However, the court ruled in the plaintiff's favor in this regard as well. The judgment states that it would be extremely difficult to obtain the same information by reverse engineering as the defendant had.

(c) The Intellectual Properties High Court Case No.2011(ne)10023 rendered as of July 21, 2011;

The plaintiff claimed that the defendant illegally obtained the plaintiff's technological secret pertaining to the manufacture of aluminum shutters.

The court ruled in the defendant's favor stating that the subject information does not satisfy the Non-public Requirement because it can easily be obtained through the analysis or review of the aluminum shutter publicly available in the market.

### 7.3 Cases over general tort claim

The following judgments refer to the question as to whether or not the general tort claims are available to plaintiffs even when the subject information does not fall into trade secret defined by the UCPA(see 7.3).

(a) The Supreme Court Case No. 2009(ju)1168 rendered as of March 25, 2010

The plaintiff claims that the defendants (ex-employees of the plaintiff) caused damage to the plaintiff by committing a competitive work after leaving the plaintiff.

The court ruled in the defendants' favor. The judgment points out that the defendants did not use any information pertaining to the plaintiff's trade secret and the defendant's competitive work did not violate free competition. Consequently, it is concluded that the defendants' business activity did not constitute any tort act.

(b) Judgment of Osaka District Court Case No.2005(wa)2682 rendered as of May 24, 2007

The plaintiff claims that the defendants (ex-employees of the plaintiff) caused damage to the plaintiff by committing competitive work after leaving the plaintiff. The plaintiff's claim included not only the UCPA claim, but also general tort claim.

The court ruled in the defendant's favor. The judgment states that, in cases where the subject information falls out of the trade secret defined by the UCPA, use of such information does not constitute a tort act unless such act is conducted for the sole purpose of causing damage to the proprietor of the information and exceeds the extent that is permissible as a competition in the market.

(c) The Yokohama District Court Case No. 2006(wa)2668 (*Kotobuki* case) rendered as of March 27, 2008

The plaintiff was a barber and the defendant was an ex-employee of the plaintiff. After leaving the plaintiff, the defendant began to provide its own services to the plaintiff's customers, using the plaintiff's customer list. Such use of the customer list by the defendant was not permitted by the plaintiff. The plaintiff argued such use constituted either unfair competition or a general tort act. On the other hand, the customer list was not kept secret by the plaintiff.

The court ruled in the plaintiff's favor in terms of general tort claim, while it rejected plaintiff's claim based upon the UCPA. The conclusion was supported by the judgment of its court of appeals (judgment of Tokyo High Court on November 11, 2008). The judgment of the court of appeals states as follows: "It is permissible in principle that an ex-employee of a barber begins working for another barber after leaving the first barber. However, if the ex-employee can be considered as having deprived customers from the former employer, such business activity constitutes a tort act against the former employer.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

#### Literature

- Shoen Ono/Nobuo Matsumura, "New Overview of the Unfair Competition Prevention Act (*Shin Husei Kyousou Bousi Hou Gaisetsu*)" (Seirin-shoin, 1<sup>st</sup> edition, 2011)
- Ministry of International Trade and Industry "Trade Secret (*Eigyo Himitsu*) – Article by Article Explanation of the Unfair Competition Prevention Act(*Chikujou Kaisetsu Husei Kyousou Boushi Hou*)"(Yuuhikaku, 1990)
- Industry Committee (*Sangyo Shingikai*) "Report on Possible Remedies in Relation to Unfair Competition Pertaining to Valuable Information" (March, 1990)
- Ministry of Economy, Trade and Industry "Guidelines for Management of Trade Secret" (first publicized on January 30, 2003, last revised on December 1, 2011)

#### Statistical Information

- Ministry of Economy, Trade and Industry "Result of Analysis of Survey on Management of Business Analysis and Research of Court Precedent" (September 2009)

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

(a) "Trade Secret"

A right holder of trade secret should establish the requirements to be trade secret for civil remedies of a trade secret infringement. As set forth in the answer to Question A-2 and A-7 above, to be the defined trade secret, the information should meet three requirements: (i) Usefulness Requirement; (ii) Secret Control Requirement; and (iii) Non-public Requirement (Article 2(6) of the UCPA).

(b) "Unfair Competition"

Then, the holder should also establish that the conduct of the defendant falls under one of the categories of the unfair competition which are listed in Article 2(1)(iv) – (ix).

(c) Injunctive Relief

Pursuant to Article 3 of the UCPA, the right holder establishing the requirements above (a) and (b) may seek an injunction. Article 3 of the UCPA is as follows:

	English Translation
Article 3 of the UCPA	(Right to seek an injunction)
Article 3(1)	A person whose business interests have been infringed or are likely to be infringed by unfair competition may seek an injunction suspending or preventing the infringement against the person that infringed or is likely to infringe such business interests.
Article 3(2)	A person whose business interests have been infringed or are likely to be infringed by unfair competition may seek, upon seeking an injunction pursuant to the preceding paragraph, destruction of the articles that constituted the act of infringement (including articles created by the act of infringement; the same shall apply in Article 5(1)), removal of the equipment used for the act of infringement, or other acts required for suspension or prevention of the infringement.

(d) Compensation for Damages

Pursuant to Article 4 of the UCPA, the holder establishing the requirements above (a) and (b) may seek a compensation for damages. Article 4 of the UCPA is as follows:

	English Translation
Article 4 of the UCPA	(Damages) A person who intentionally or negligently infringes on the business interests of another person by unfair competition shall be liable for damages resulting therefrom. However, this Article shall not apply to damages resulting from the use of a trade secret after the rights prescribed in Article 15 have extinguished pursuant to the said Article.

For the details of the calculation of the amount, please see our answer to Question B-7 below.

2. What civil remedies are made available? Are the remedies cumulative?

Under the UCPA, both injunction (Article 3) and compensation for damages (Article 4) are available.

Those remedies are cumulative.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain *ex parte* orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

- Preservation of Evidence -

It is possible to obtain *ex parte* orders to preserve the relevant evidence pursuant to Article 234 – 242 of the CCP. It can be used even before filing the cases. The requirements to issue the court order of preservation of evidence are (i) necessity of such evidence and (ii) necessity of preservation (in other words, difficulty to examine such evidence later by, for example, possible falsification). A petitioner needs to make a *prima facie* showing for those requirements.

With regard to the proceedings to issue the order, courts do not need to hold a hearing in which the opponents participate. However, the courts need to notify the opponents before the preservation of evidence is actually conducted. If there is enough time between the arrival of notice and actual examination, the risk of falsification will be high. Thus, in the Tokyo District Court, the notices are usually arranged to arrive immediately before (e.g., one (1) hour before) by hand delivery of court execution officers.

In this proceeding, judges actually examine the evidence just like the normal examination of evidence. In proceedings of preservation of evidence, observation of evidence and order to submit the evidence are the most used means of examination. The observation would enable the courts to search premises and computer systems for misappropriated data (Article 232 of the CCP). In case the opponent denies the cooperation to the proceeding, the judge may issue the court order to submit the evidence (Article 223 of the CCP). The sanction against the party not following this order is the certain recognition of relevant factual issues (Article 224 of the CCP). although it is not compulsory.

For your reference, the following are relevant articles:

	English Translation
Article 223 of the CCP	<p>(Order to Submit Document, etc.)</p> <p>(1) The court, when it finds that a petition for an order to submit a document is well-grounded, shall make an order to the effect that the holder of the document should submit the document. In this case, if the document contains any part for which it is found to be unnecessary to be examined or which cannot be found to be subject to the obligation to submit, the court may order submission of the document excluding such part.</p> <p>(2) The court, where it intends to order a third party to submit a document, shall interrogate the third party.</p> <p>(3) Where a petition for an order to submit a document is filed, with regard to a document concerning a secret in relation to a public officer's duties, on the grounds that the document falls under any of the categories set forth in Article 220(iv), the court, except where it is obvious that the petition is groundless, shall hear opinions of the supervisory government agency concerned (in the case of a member of the House of Representatives or House of Councillors or a person who held such post, the respective House; in the case of the Prime Minister or any other Minister of State or a person who held such post, the Cabinet) as to whether or not the</p>

	<p>document in question falls under the category of document set forth in Article 220(iv)(b). In this case, the supervisory government agency, when stating an opinion that the document falls under the category of document set forth in Article 220(iv)(b), shall specify reasons therefor.</p> <p>(4) In the case referred to in the preceding paragraph, if the supervisory government agency has stated an opinion that the document falls under the category of document set forth in Article 220(iv)(b) by reason that the submission of the document has any of the following risks, the court, except where it cannot find reasonable grounds for such opinion, may order the holder of the document to submit the document:</p> <p>(i) Risk that the document will impair national security, harm relationships of trust with a foreign state or international organization or cause a disadvantage in negotiation with a foreign state or international organization</p> <p>(ii) Risk that the document will be a hindrance to the prevention, suppression or investigation of crimes, maintenance of prosecution, execution of sentences or any other matters concerning the maintenance of public safety and order</p> <p>(5) In the case referred to in the first sentence of paragraph (3), when the supervisory government agency intends to state opinions on a document stating the matters concerning technical or professional secrets held by a third party other than the holder of the document, it shall hear opinions of said third party in advance, except where it intends to state an opinion that the document falls under the category of document set forth in Article 220(iv)(b).</p> <p>(6) The court, when it finds it necessary in order to determine which of the categories of documents set forth in Article 220(iv)(a) to (d) the document pertaining to the petition for an order to submit a document falls under, may have the holder of the document present the document. In this case, no person may request the disclosure of the document presented.</p> <p>(7) An immediate appeal may be filed against an order on a petition for an order to submit a document.</p>
Article 224 of the CCP	<p>(Effect of Party's Non-Compliance with Order to Submit Document, etc.)</p> <p>(1) If a party does not comply with an order to submit a document, the court may recognize that the opponent's allegations concerning the statements in the document are true.</p> <p>(2) The provision of the preceding paragraph shall also apply where a party, for the purpose of disrupting the opponent's use thereof, has caused the document to be lost or otherwise unusable despite his/her obligation to submit,.</p> <p>(3) In the cases prescribed in the preceding two paragraphs, if it is extremely difficult for the opponent to make specific allegations concerning the statements in the document and prove, by other evidence, the fact that is to be proven by the document, the court may recognize that the opponent's allegations concerning such fact</p>

	are true.
Article 232 of the CCP	<p>(Presentation of Subject Matter of Observation, etc.)</p> <p>(1) The provisions of Article 219, Article 223, Article 224, Article 226 and Article 227 shall apply <i>mutatis mutandis</i> to the presentation or sending of the subject matter of an observation.</p> <p>(2) If a third party, without justifiable grounds, does not comply with an order to submit made under the provision of Article 223(1) as applied <i>mutatis mutandis</i> pursuant to the preceding paragraph, the court, by an order, shall punish him/her by a non-penal fine of not more than 200,000 yen.</p> <p>(3) An immediate appeal may be filed against the order set forth in the preceding paragraph.</p>
Article 234 of the CCP	<p>(Preservation of Evidence)</p> <p>When the court finds that there are circumstances under which, unless the examination of evidence is conducted in advance, it would be difficult to examine the evidence, it may conduct an examination of the evidence pursuant to the provisions of this Chapter upon petition.</p>
Article 235 of the CCP	<p>(Court with Jurisdiction, etc.)</p> <p>(1) A petition for the preservation of evidence, after the filing of an action, shall be filed with the court of the instance in which the evidence is to be used; provided, however, that during the period after the date for the first oral argument is designated or the case is referred to preparatory proceedings or preparatory proceedings by means of documents until oral argument is concluded, such petition shall be filed with the court in charge of the case.</p> <p>(2) A petition for the preservation of evidence, before the filing of an action, shall be filed with the district court or summary court that has jurisdiction over the residence of the person who is to be examined or person who holds the document in question or the location of the subject of an observation.</p> <p>(3) If there are pressing circumstances, a petition for the preservation of evidence, even after the filing of an action, may be filed with the district court or summary court set forth in the preceding paragraph.</p>
Article 236 of the CCP	<p>(Where Opponent Cannot Be Designated)</p> <p>A petition for the preservation of evidence may be filed even where the opponent cannot be designated. In this case, the court may appoint a special agent on behalf of the person who should be the opponent.</p>
Article 237 of the CCP	<p>(Preservation of Evidence by Court's Authority)</p> <p>The court, when it finds it necessary, while the suit is pending, may make an order of preservation of evidence by its own authority.</p>
Article 238 of the CCP	<p>(Non-Permission of Appeal)</p> <p>No appeal may be entered against an order of preservation of evidence.</p>
Article 239 of the CCP	<p>(Examination of Evidence by Authorized Judge)</p> <p>In the case referred to in the proviso to Article 235(1), the court may have an authorized judge examine evidence.</p>
Article 240 of the CCP	<p>(Summons for Appearance Date)</p> <p>On the date for examination of evidence, the petitioner and the opponent shall be summoned; provided, however, that this shall not apply in case of urgency.</p>

Article 241 of the CCP	(Expenses for Preservation of Evidence) Expenses for the preservation of evidence shall constitute part of the court costs.
Article 242 of the CCP	(Re-Examination at Oral Argument) If a party has requested examination at oral argument of a witness who was examined in the procedure for the preservation of evidence, the court shall examine the witness.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

As the interim relief, the preliminary injunctions (or the alternative English translation is "provisional dispositions") are available under Article 23(2) and 24 of the Civil Provisional Remedies Act (the "CPRA". No. 91 of December 22,1989, as amended).

Please note, however, that the proceeding to obtain this preliminary injunction order is not *ex-parte*. Namely, the order of the preliminary injunction to stop misusing trade secret cannot be issued without a proceeding (e.g., a hearing) where the opponent attends in principle under Article 23(4). In certain cases, this would be a difficulty for the plaintiff / petitioner who tries to protect its trade secrets. In order to obtain the preliminary injunction order in *ex-parte* proceeding, a petitioner should succeed to make a *prima facie* showing of "circumstances where the objective of the petition for an order of provisional disposition cannot be achieved if such proceedings are held", which would not be easy.

For your reference, Article 23 and 24 of the CPRA is as follows:

	English Translation
Article 23 of the CPRA	(Necessity, etc. of Order of Provisional Disposition) (1) An order of provisional disposition relating to the subject matter in dispute may be issued when there is a likelihood that it will be impossible or extremely difficult for the obligee to exercise his/her right due to any changes to the existing state of the subject matter.  (2) An order of provisional disposition to determine a provisional status may be issued when such status is necessary in order to avoid any substantial detriment or imminent danger that would occur to the obligee with regard to the relationship of rights in dispute.  (3) The provision of Article 20, paragraph (2) shall apply <i>mutatis mutandis</i> to an order of provisional disposition.  (4) An order of provisional disposition set forth in paragraph (2) may not be issued without holding oral argument or holding a hearing which the obligor can attend on the date fixed therefor; provided, however, that this shall not apply when there are circumstances where the objective of the petition for an order of provisional disposition cannot be achieved if such proceedings are



	held.
Article 24 of the CPRA	(Method of Provisional Disposition) A court, in order to achieve the objective of a petition for an order of provisional disposition, may make a disposition to order the obligor to conduct a certain act or prohibit him/her from conducting it, order the obligor to provide performance or have a custodian retain the object, or make any other necessary disposition.

- (b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

In case the preliminary injunction order is issued, the claimant will have the time limitation only if the opponent (i) submits the petition to file an action on the merits and then (ii) submits a document certifying the filing of the action. The following is the English translation of the relevant article in the CPRA.

	English Translation
Article 37 of the CPRA	(Revocation of Temporary Restraining Order by reason of the Failure to File Action on Merits, etc.) (1) A court that has issued a temporary restraining order shall, upon the petition of the obligor, order the obligee to, within a certain period of time that it finds to be reasonable, file an action on the merits and submit a document certifying the filing of the action, and if the obligee has already filed an action on the merits, order him/her to submit a document certifying that the action is pending before court.  (2) The period set forth in the preceding paragraph shall be two weeks or more.  (3) If the obligee has failed to submit the document set forth in paragraph (1) within the period set forth in said paragraph, the court shall, upon the petition of the obligor, revoke the temporary restraining order.  [(4) - (8) Omitted]

After the opponent (or obligor) submit such a petition, the court will order that the petitioner (or obligee) shall file an action and submit a document certifying such filing within, for example, one (1) month. This period can be decided by the judges in their discretion but not less than two (2) weeks.

Considering the foregoing, apparently, the claimant should be ready for filing and action when they get the preliminary injunction orders. Practically, it is usual that they have been ready because they have already collected the evidence and made the arguments during the preliminary injunction cases.

- (c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

We do not have the statistical information about the average duration and cost of proceedings with respect to the litigations of trade secret infringement. However, we do have the average duration of proceedings with respect to intellectual property litigations pending at the Tokyo District Court.

In 2009, the average duration of proceedings from initiating the claim to final judgment of all the intellectual property right litigations was 13.7 months, while they were 12.5 months in 2008, and 15.9 in 2007.

With respect to the preliminary injunction cases of intellectual property rights, the average durations from initiating the claim to the final order were 4.8 months in 2009, 4.3 months in 2008, and 4.2 months in 2007.

Again, we do not have the information about a breakdown of each intellectual property right. Especially, trade secret cases are not a major portion of intellectual property cases. However, we at least have some sense of practice at the Intellectual Property Division of the Tokyo District Court from the information above.

In addition, we do not have the statistical information about the average costs.

(d) Are cases involving technical trade secrets heard by specialist judges?

Under Article 6 of the CCP, the patent cases, utility model cases and certain other technology-related cases belong to the exclusive jurisdiction of the Tokyo District Court or Osaka District Court which has the intellectual property divisions under Article 6 of the CCP). On the other hand, the trade secret cases belong to non-exclusive jurisdictions of those two courts (i.e., the Tokyo District Court and Osaka District Court) under Article 6-2 of the CCP. Therefore, possibly, the trade secret cases (even the technical trade secret cases) can be filed and heard by any courts in Japan, most of which do not have the division specialized in the intellectual property right cases.

In practice, when the trade secret cases are filed to the Tokyo District Court or Osaka District Court, the cases go to the intellectual property divisions, where the judges specialize in intellectual property cases. However, most of the judges do not have the technical background, and this would not be considerably different in the intellectual property divisions. Thus, we do not expect that the judges have the technical background even in the intellectual property division, but at least they are familiar with the technology-related cases.

With respect to the appeal court, as opposed to the patent cases, utility model cases and certain other technology-related cases (under Article 6(3) of the CCP, they belong to the exclusive jurisdiction of the Tokyo High Court which has the special sub-division called the Intellectual Property High Court), the trade secret cases can be appealed to other high courts. Again, it is possible that the trade secret cases are heard by the judges of the high court who do not specialize in intellectual property right cases.

Having said that, we do not have the statistical information, but we think that a majority of the trade secret cases is filed to the Tokyo District Court and Osaka District Court and they are heard by the judges specializing in intellectual property right cases.

Judges handling the trade secret case can appoint technical advisors (Article 92-2 of the CCP) or judicial research officials (Article 92-8 of the CCP) when they decide that the support from technical perspectives are necessary. However, probably because the resources of technical advisors and judicial research officials are relatively limited, even in the Tokyo District Court, it is rare to use such technical experts in the trade secret cases. In addition, technical advisors are independent technical expert advisors and judicial research officials are the technical experts inside the courts.

For your reference, the following are English translation of the articles relevant to the answer to the question above:

	English Translation				
Article 6 of the CCP	<p>(Jurisdiction over Action, etc. Relating to Patent Right, etc.)</p> <p>(1) With regard to an action relating to a patent right, utility model right, right of layout designs of integrated circuits or an author's right over a computer program (hereinafter referred to as an "action relating to a patent right, etc."), if any of the courts listed in the following items shall have jurisdiction pursuant to the provisions of the preceding two Articles, such action shall be subject exclusively to the jurisdiction of the court specified in the respective items:</p> <table border="1" data-bbox="500 646 1338 968"> <tr> <td data-bbox="500 646 1062 779">(i) A district court located within the jurisdictional district of the Tokyo High Court, the Nagoya High Court, the Sendai High Court or the Sapporo High Court</td> <td data-bbox="1062 646 1338 779">The Tokyo District Court</td> </tr> <tr> <td data-bbox="500 779 1062 968">(ii) A district court located within the jurisdictional district of the Osaka High Court, the Hiroshima High Court, the Fukuoka High Court or the Takamatsu High Court</td> <td data-bbox="1062 779 1338 968">The Osaka District Court</td> </tr> </table> <p>(2) With regard to an action relating to a patent right, etc., if a summary court located within the jurisdictional district of any of the courts listed in the items of the preceding paragraph shall have jurisdiction pursuant to the provisions of the preceding two Articles, such action may also be filed with the court specified in the respective items.</p> <p>(3) An appeal to the court of second instance against the final judgment on an action relating to a patent right, etc., that is made by the court specified in paragraph (1)(ii) as the court of first instance shall be subject exclusively to the jurisdiction of the Tokyo High Court; provided, however, that this shall not apply to an appeal to the court of second instance against the final judgment on an action pertaining to a suit transferred pursuant to the provision of Article 20-2(1).</p>	(i) A district court located within the jurisdictional district of the Tokyo High Court, the Nagoya High Court, the Sendai High Court or the Sapporo High Court	The Tokyo District Court	(ii) A district court located within the jurisdictional district of the Osaka High Court, the Hiroshima High Court, the Fukuoka High Court or the Takamatsu High Court	The Osaka District Court
(i) A district court located within the jurisdictional district of the Tokyo High Court, the Nagoya High Court, the Sendai High Court or the Sapporo High Court	The Tokyo District Court				
(ii) A district court located within the jurisdictional district of the Osaka High Court, the Hiroshima High Court, the Fukuoka High Court or the Takamatsu High Court	The Osaka District Court				
Article 6-2 of the CCP	<p>(Jurisdiction over Action Relating to Design Right, etc.)</p> <p>With regard to an action relating to a design right, trademark right, author's right (excluding an author's right over a computer program), right of publication, neighboring right or breeder's right or an action pertaining to the infringement of business interests by unfair competition (meaning unfair competition prescribed in Article 2(1) of the Unfair Competition Prevention Act (Act No. 47 of 1993)), if any of the courts listed in the following items shall have jurisdiction pursuant to the provisions of Article 4 or Article 5, such action may also be filed with the court specified in the respective items:</p> <p>(i) The court set forth in paragraph (1)(i) of the preceding Article (excluding the Tokyo District Court): The Tokyo District Court</p> <p>(ii) The court set forth in paragraph (1)(ii) of the preceding</p>				

	Article (excluding the Osaka District Court): The Osaka District Court
Article 92-2 of the CCP	<p>(Participation of Technical Adviser)</p> <p>(1) When the court finds it necessary, in the process of deliberating the necessary matters concerning the arrangement of issues or evidence or the progress of court proceedings, in order to clarify the matters related to the suit or ensure the smooth progress of court proceedings, it may, after hearing opinions of the parties, by an order, have a technical adviser participate in the proceedings so as to hear his/her explanation based on expert knowledge. In this case, the presiding judge shall have a technical adviser give an explanation in writing or orally on the date for oral argument or date for preparatory proceedings.</p> <p>(2) When the court finds it necessary, in the process of conducting the examination of evidence, in order to clarify the matters related to the suit or the gist of the result of the examination of evidence, it may, after hearing opinions of the parties, by an order, have a technical adviser participate in the proceedings so as to hear his/her explanation based on expert knowledge on the date for the examination of evidence. In this case, in order to have a technical adviser give an explanation on the date for the examination of a witness or a party him/herself or date for the questioning of an expert witness, the presiding judge, with the consent of the party, may permit the technical adviser to ask questions directly of the witness, the party him/herself or the expert witness with regard to the matters necessary for clarifying the matters related to the suit or the gist of the result of the examination of evidence.</p> <p>(3) The court, when it finds it necessary in the process of attempting to arrange a settlement, with the consent of the parties, by an order, may have a technical adviser participate in the proceedings so as to hear his/her explanation based on expert knowledge on the date for attempting to arrange a settlement on which both parties are able to attend.</p>
Article 92-5 of the CCP	<p>(Designation, Appointment and Dismissal, etc. of Technical Adviser)</p> <p>(1) The number of technical advisers shall be one or more for each case.</p> <p>(2) A technical adviser who is to participate in the proceedings pursuant to the provision of Article 92-2 shall be designated by the court for each case, after hearing opinions of the parties.</p> <p>(3) A technical adviser shall serve part-time, and the necessary matters concerning his/her appointment and dismissal shall be specified by the Rules of the Supreme Court.</p> <p>(4) A technical adviser shall be paid an allowance as separately provided for by an Act and also be paid travel expenses, a daily allowance and accommodation charges at the amount specified by the Rules of the Supreme Court respectively.</p>
Article 92-8 of the CCP	<p>(Affairs of Judicial Research Official in Cases Relating to Intellectual Property)</p> <p>The court, when it finds it necessary, may have a judicial</p>

	<p>research official, who is in charge of conducting an examination of a trial and a judicial decision on a case relating to intellectual property at a high court or district court, administer the following affairs in said case. In this case, the judicial research official, as ordered by the presiding judge, shall administer these affairs:</p> <p>(i) Asking questions of the parties or urging them to offer proof with regard to factual or legal matters, on the following date or in the following proceedings, in order to clarify the matters related to the suit:</p> <p>(a) The date for oral argument or interrogation  (b) The proceedings for arranging issues or evidence  (c) The proceedings for determining the existence or nonexistence of an obligation to submit a document or obligation to present the subject matter of a observation  (d) The proceedings for deliberating the matters pertaining to the arrangement of issues or evidence or any other necessary matters concerning the progress of court proceedings</p> <p>(ii) Asking questions directly of a witness, a party him/herself or expert witness on the date for examination of evidence</p> <p>(iii) Giving an explanation based on expert knowledge on the date for attempting to arrange a settlement</p> <p>(iv) Stating opinions on the case to a judge</p>
<p>Article 57 of the Court Act</p>	<p>(Research law clerks)</p> <p>(1) In the Supreme Court, each High Court and each District Court, there shall be research law clerks.</p> <p>(2) Research law clerks shall conduct the research necessary for proceedings and deciding cases (limited to cases concerning intellectual property or tax in a District Court) and other duties provided in other laws, as ordered by judges,.</p>

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

(1) Protective Order

One of such measures in Japan is the protective order ruled in Article 10 and 11 of the UCPA. Parties of trade secret actions may file a petition for the protective order, and to obtain the order, such a party needs to make a prima facie showing of the following requirements (Article 10(1) of the UCPA):

(i) the trade secret held by the party is written in an already-produced or a to-be-produced brief, or included in the contents of already-examined or to-be-examined evidence (including documents disclosed pursuant to Article 7(3) or a document disclosed pursuant to Article 13(4)); and

(ii) the party's business activities based on the trade secret under the preceding item are likely to become hindered by the use of said trade secret for purposes

other than pursuing the lawsuit or its disclosure, and it is necessary to restrict the use or disclosure of the trade secret in order to prevent this.

If the protective order is issued, the portions of the briefs / evidences specified by the order to be trade secret will only be disclosed to the addressees of the order (e.g., the attorneys representing the other party), and such addressees will be obliged not to disclose the trade secret to persons other than co-addressees of the order or use the trade secret for the purpose other than prosecuting the pending actions.

For your reference, the English translation of the relevant articles is as follows:

	English Translation
Article 7(3) of the UCPA	(Production of documents, etc.) In the case of the preceding paragraph, where the court finds it necessary to disclose the documents prescribed in the second sentence of the preceding paragraph and to hear the opinions of a party, etc. (which means a party [in the case of a juridical person, its representative], an agent [excluding a counsel or an assistant], an employee, or other workers of a party; the same shall apply hereinafter), it may disclose said documents to the party, etc.
Article 13(4) of the UCPA	(In camera examination of the parties) Where the court finds it necessary to disclose the document under the second sentence of the preceding paragraph and to hear the opinion of the party, etc., the counsel, or the assistant, it may disclose the document to such person.
Article 10 of the UCPA	(Protective order) (1) In a lawsuit for the infringement of business interests by unfair competition, where there is prima facie evidence showing that a trade secret held by a party of the lawsuit falls under both of the following grounds, the court may, upon motion of the party and by means of a ruling, order a party, etc., a counsel, or an assistant not to use the trade secret for any purpose other than pursuing the lawsuit or to disclose it to a person other than those who have received the order prescribed in this paragraph with regard to said trade secret; however, this does not apply when the party, etc., the counsel, or the assistant had already acquired or held the trade secret by means other than the reading of the brief prescribed in item 1 or the examination or disclosure of evidence prescribed in the same item:  (i) the trade secret held by the party is written in an already-produced or a to-be-produced brief, or included in the contents of already-examined or to-be-examined evidence (including documents disclosed pursuant to Article 7(3) or a document disclosed pursuant to Article 13(4)); and  (ii) the party's business activities based on the trade secret under the preceding item are likely to become hindered by the use of said trade secret for purposes other than pursuing the lawsuit or its disclosure, and it is necessary to restrict the use or disclosure of the trade secret in order to prevent this.  (2) A motion for the order prescribed in the preceding paragraph (hereinafter referred to as the "protective order" )

	<p>shall be made in writing and include the following matters:</p> <p>(i) the person to whom the protective order to be issued;</p> <p>(ii) facts that are sufficient for identifying the trade secret to be made the subject of the protective order; and</p> <p>(iii) facts that fall within the grounds listed in the respective items of the preceding paragraph.</p> <p>(3) When issuing a protective order, the court shall serve a decision letter on the person to whom the protective order was issued.</p> <p>(4) A protective order takes effect when a decision letter is served on the person to whom the protective order was issued.</p> <p>(5) When the court dismisses a motion for a protective order, the party may lodge an immediate appeal against the decision.</p>
<p>Article 11 of the UCPA</p>	<p>(Rescission of protective order)</p> <p>(1) A movant for a protective order or a person to whom a protective order was issued may file a motion for rescission of the protective order with the court where the case record kept (when no such court exists, the court that issued the protective order) on the ground that the requirement prescribed in the preceding Article is not met or is no longer met.</p> <p>(2) When the court makes a decision on a motion for rescission of a protective order, it shall serve a decision letter on the movant and the adverse party.</p> <p>(3) An immediate appeal may be lodged against a decision on the motion for rescission of a protective order.</p> <p>(4) A decision to rescind a protective order shall not take effect until the decision becomes final and binding.</p> <p>(5) Where a court has made a decision to rescind a protective order, if the court had, during the same lawsuit in which the protective order was issued, issued a protective order for the protection of the trade secret against any person other than the movant for rescission of the protective order or the adverse party, it shall immediately notify that person of the decision to rescind the protective order.</p>

(2) In Camera Examination of the Parties

Same as most of the states, the proceedings for the examination of parties and witnesses should be open to public in principle.

Article 13 of the UCPA provides for an in camera examination proceeding in certain cases. The requirements of this court order are that: (i) giving statements regarding the matter in open court will significantly hinder the party's business activities that are based on the trade secret; and (ii) without said statements by the party, the court is unable to make an appropriate decision on the presence or absence of infringement on business interests.

For your reference, the English translation of Article 13 of the UCPA is as follows:

	English Translation
Article 13 of the UCPA	<p>(In camera examination of the parties)</p> <p>(1) In a lawsuit for the infringement of business interests by unfair competition, where a party, etc. is to be examined as a party itself or a legal representative or as a witness with regard to a matter that serves as the basis for determining the presence or absence of the infringement and falls under a trade secret held by the party, and when the court, by the unanimous consent of the judges, finds that the party, etc. is unable to give sufficient statements regarding the matter because it is clear that giving statements regarding the matter in open court will significantly hinder the party's business activities that are based on the trade secret, and that, without said statements by the party, the court is unable to make an appropriate decision on the presence or absence of infringement on business interests by unfair competition which should be made based on the determination of said matter, it may conduct the examination on the matter in camera by means of a ruling.</p> <p>(2) The court shall hear the opinion of the party, etc. before making the ruling under the preceding paragraph.</p> <p>(3) In the case of the preceding paragraph, the court may order the party, etc. to produce a document that outlines the matters to be stated. In such a case, no person may request disclosure of the produced document.</p> <p>(4) Where the court finds it necessary to disclose the document under the second sentence of the preceding paragraph and to hear the opinion of the party, etc., the counsel, or the assistant, it may disclose the document to such person.</p> <p>(5) Where the court will conduct examination on a matter in camera pursuant to the provision of paragraph 1, it shall render a judgment to that effect and the reason thereof to the members of the public present before making them leave the courtroom. When the examination on the matter ends, the court shall have the members of the public reenter the courtroom.</p>

(3) Restriction on Inspection, etc., for Secrecy Protection

In principle, case records are accessible by any person. However, Article 91 and 92 of the CCP provide some exemption to protect secrecy.

First, in case that the oral argument is prohibited from being open to the public, the case record will be only accessible by the parties and a third party who has made a prima facie showing of his / her interest (Article 91(2)).

Second, the court order to restrict the inspection by third parties is available pursuant to Article 92.

For your reference, the English translation of Article 91 and 92 of the CCP is as follows:

	English Translation
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<p>Article 91 of the CCP</p>	<p>(Inspection of Case Record, etc.)</p> <p>(1) Any person may make a request to a court clerk for the inspection of a case record.</p> <p>(2) With regard to the case record pertaining to the oral argument that is prohibited from being open to the public, only the parties and a third party who has made a prima facie showing of his/her interest may make a request under the provision of the preceding paragraph.</p> <p>(3) The parties and a third party who has made a prima facie showing of his/her interest may make a request to a court clerk for the copying of the case record, issuance of an authenticated copy, transcript or extract of the case record or issuance of a certificate of matters concerning the suit.</p> <p>(4) The provision of the preceding paragraph shall not apply with respect to case records which are prepared in the form of audiotapes or videotapes (including objects on which certain matters are recorded by any means equivalent thereto). In this case, upon the request of a party or a third party who has made a prima facie showing of his/her interest with regard to these objects, a court clerk shall permit reproduction thereof.</p> <p>(5) A request for inspection, copying and reproduction of a case record may not be made if these acts would be detrimental to the preservation of the case record or the performance of the court's duties.</p>
<p>Article 92 of the CCP</p>	<p>(Restriction on Inspection, etc. for Secrecy Protection)</p> <p>(1) Where a prima facie showing is made with regard to the following grounds, the court, upon the petition of a party concerned, may, by an order, limit the persons who may make a request for inspection or copying of the part of the case record in which the relevant secret is stated or recorded, issuance of an authenticated copy, transcript or extract of such part or reproduction of such part (hereinafter referred to as "inspection, etc. of the secret part") to the parties:</p> <p>(i) In the case record, a material secret regarding the private life of a party is stated or recorded, and the inspection, etc. of the secret part conducted by any third party would be substantially detrimental to the party concerned in his/her social life.</p> <p>(ii) In the case record, a trade secret (meaning a trade secret prescribed in Article 2(6) of the Unfair Competition Prevention Act; the same shall apply in Article 132-2(1)(iii) or (2)) held by a party is stated or recorded.</p> <p>(2) If a petition set forth in the preceding paragraph is filed, a third party may not make a request for inspection, etc. of the secret part until a judicial decision on the petition becomes final and binding.</p> <p>(3) A third party who intends to make a request for inspection, etc. of the secret part may file a petition, to the court where the case record is stored, for revocation of the order set forth in paragraph (1), on the grounds that any of the requirements</p>

	<p>prescribed in said paragraph is not met or is no longer met.</p> <p>(4) An immediate appeal may be filed against an order dismissing without prejudice the petition set forth in paragraph (1) and a judicial decision on the petition set forth in the preceding paragraph.</p> <p>(5) An order to revoke the order set forth in paragraph (1) shall not become effective unless it becomes final and binding.</p>
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(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

(i) Number of Trade Secret Actions

We do not have the statistical information about the number of trade secret actions in Japan each year. What we have is the number of UCPA cases pending at the Tokyo District Court: It was 53 in 2009; 41 in 2008; and 28 in 2007. The UCPA cases include trade secret cases as well as other UCPA cases such as unregistered trademark cases and domain name related cases. Thus, we actually do not know how many the trade secret actions were among the numbers above.

(ii) Subject Matter

With respect to the "subject matter," we do not have the detailed analysis. However, the research<sup>99</sup> conducted by the Ministry of Economy, Trade and Industry ("METI") provides the rough breakdown of the subject matter. This research picked up 82 trade secret cases, some of which had multiple subject matters. Among 100 subject matters, 37 were technical information and 63 were commercial information (such as customer information). This research report does not disclose how to pick such 82 cases. However, this ratio is, we believe, informative.

In addition, this research provides another interesting information about the routes to leak the trade secrets. Among 95 "leak routes," 65 were by retired persons, 28 were by business contacts and 2 were by competitors. From the research report, we are unaware of the final results of whether the courts admit that actual leakage happened, but it would show some tendency of the trade secret leakage in Japan.

(iii) Average Output

We do not have statistical information about the ratio of the cases where plaintiffs won in trade secret actions. What we have is such ratio of the UCPA cases pending at the Tokyo District Court only in 2009. Among 12 judgments rendered in 2009 for the UCPA cases, plaintiffs (most likely right holders) won in four (4) cases and lost in eight (8) cases. 13 cases were settled. As set forth in (i) above, the UCPA cases include trade secret cases as well as other UCPA cases and we actually do not know how many the trade secret actions were among the numbers above.

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<sup>99</sup> "Result of Analysis of Survey on Management of Business Analysis and Research of Court Precedent" referred to in our answer to Question A-8.

Also, METI's research report provides some "output." Among 95 trade secrets in 82 trade secret actions they researched, the requirements of trade secrets were admitted in only 21 cases. As the report does not describe whether infringement was also admitted in such 21 cases, we are unaware of the final winning ratio out of such 82 cases. However, we can definitely conclude that the holders of the information lost in 61 cases because of inability to meet the requirement(s) to be trade secret. From this data, we would note that the trade secret action in Japan is not easy for holders of information.

The amount of compensation for damages caused by infringement of trade secret varies widely on a case-by-case basis and we do not have the statistical information. However, as far as the cases we cite in Question A-7 are concerned, the amount of compensation awarded seems to be higher when the subject matter of trade secret is technical information, while the amount tends to be lower when the subject information is a client list (which is another typical kind of trade secret). Although the sampling number would not be many, the following is the range of the amount in each type of trade secret litigation among the cases we cited in question 7 in Part A.

type of trade secret subject to the case	range of amount of compensation awarded
technical information	from JPY41,000,000 to JPY409,251,596
client list	from JPY350,000 to JPY1,500,000

- (g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

Practically speaking, to enforce trade secrets, it is sometimes difficult to establish certain facts by evidence. As set forth in (f) above, in majority of cases, the requirements to be trade secret are denied. Among these requirements, the Secret Control Requirement is the biggest obstacle to the plaintiffs.

Also, the plaintiffs should prove the requirements set forth in Article 2(1)(iv) – (ix) to prove that the conducts of the defendants were "unfair competition" listed in the UCPA.

5. What defences are available to the defendant in a trade secrets action?

In trade secret actions, normal defenses are to deny the requirements to be trade secrets, namely: (i) Usefulness Requirement; (ii) Secret Control Requirement; and (iii) Non-public Requirement. Also, in many cases defendants try to deny the requirements to be "unfair competition" set forth in Article 2(1)(iv) – (ix).

In some court precedents, the defenses that (a) a defendant independently obtains the information (No. 1992 (ne) 4405 rendered by the Tokyo High Court as of July 28, 1992); and (b) a defendant could collect the information independently (No. 2004 (ne) 4185 rendered by the Tokyo High Court as of March 22, 2005) were successful. In both cases, the defendants argued that the requirements of the "unfair competition" were not met. Namely, in (a) the defendant argued, and the court agreed, that the defendant did not acquire the trade secret by theft, and the defendant argued, and the court agreed, that the defendant did not acquire the trade secret by wrongful means in (b).

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of

adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

As set forth in the answer to Question A-2 and A-7 above, to be trade secret, the information should meet: (i) Usefulness Requirement; (ii) Secret Control Requirement; and (iii) Non-public Requirement. As you are aware from the court precedents listed in the answer to Question A-7 above, the requirement which is most challenged by defendants and denied by the courts is (ii). On the other hand, (i) and (iii) tend to be easily admitted. Thus, practically speaking, one of the most important issues in the trade secret cases is how the plaintiff keeps and manages the information. To review this point, the courts often consider (a) whether or not the access from employees is limited and only certain employees can access the information at issue, (b) how the documents or other medias recording the information are physically kept/managed, and (c) whether or not the measure to show the confidential nature (such as a stamp) is taken and so on.

7. As to award of damages:

(a) What are the available options?

The available option as to award of damages is a monetary compensation. Plaintiffs may establish the amount of damages through usual means (proving damages and causal relationship with infringement etc.). Also, Article 5 of the UCPA is about presumption of amount of damages, etc., to make the establishment of the amount of damages easier. For the details, please see (b) below.

(b) What are the criteria to determine and calculate damages?

Article 5 of the UCPA provides three alternatives of presumption of amount of damages from which infringed persons may choose.

(i) Amount of profit per unit (infringed person) X "transferred quantity"

In trade secret actions, this presumption is only for the technical trade secret.

Under Article 5(1), the amount equal to the quantity of the articles sold or transferred (the "transferred quantity") multiplied by the amount of profit per unit of the articles that the infringed person could have sold in the absence of the infringement may be deemed as the amount of damages in principle.

However, (x) it shall not exceed the amount attainable by the infringed person's capability to sell or conduct other acts concerning said articles and (y) where there are any circumstances that would have prevented the infringed person from selling the quantity of articles equivalent to all or part of the transferred quantity, an amount corresponding to the quantity relevant to such circumstances shall be deducted.

(ii) Profits of Infringers

Pursuant to Article 5(2), the profits of infringers can be awarded as the amount of damages.

(iii) License Fees

Article 5(3) is about presumption of license fees. The license fees to be paid by an infringer for the use of the trade secret at issue can be awarded as the amount of damages.

Among those three (3) presumption, a plaintiff can pick one which is the most preferable, considering the calculated amounts and available evidence.

For your reference, the English translation of Article 5 of the UCPA is as follows:

	English Translation
Article 5 of the UCPA	<p>(Presumption of amount of damages, etc.)</p> <p>(1) Where a person whose business interests have been infringed by unfair competition listed in items 1 to 9 or item 15 of Article 2(1) (with regard to the unfair competition listed in items 4 to 9 of the same paragraph, only unfair competition that involves a technical secret [which means a manufacturing method or other technical information useful for business activities that is kept secret and not publicly known]) (hereinafter referred to as the "infringed person" in this paragraph) claims damages caused by such an infringement from a person who has intentionally or negligently infringed such business interests, and where the infringer has sold or otherwise transferred the articles constituting the act of infringement, the quantity of the articles sold or transferred (hereinafter referred to as the "transferred quantity" in this paragraph) multiplied by the amount of profit per unit of the articles that the infringed person could have sold in the absence of the infringement may be deemed as the amount of damages suffered by the infringed person, provided it does not exceed the amount attainable by the infringed person's capability to sell or conduct other acts concerning said articles. However, where there are any circumstances that would have prevented the infringed person from selling the quantity of articles equivalent to all or part of the transferred quantity, an amount corresponding to the quantity relevant to such circumstances shall be deducted.</p> <p>(2) Where a person whose business interests have been infringed by unfair competition claims damages caused by a person who intentionally or negligently infringed such business interests and received profits through the act of infringement, the amount of such profits shall be presumed to be the amount of damages suffered by the person whose business interests were infringed.</p> <p>(3) A person whose business interests have been infringed by unfair competition listed in items 1 to 9, item 12, or item 15 of Article 2(1) may claim, from the person who has intentionally or negligently infringed such business interests, an amount equivalent to the amount of money that should be awarded against the acts prescribed respectively in the following items for the classification of unfair competition listed therein, as the amount of damages suffered by the infringed person:</p> <p>(i) unfair competition listed in items 1 or 2 of Article 2(1) ? use of an indication of goods or business pertaining to such infringement;</p>

	<p>(ii) unfair competition listed in item 3 of Article 2(1) ? use of a configuration of goods pertaining to such infringement;</p> <p>(iii) unfair competition listed in items 4 to 9 of Article 2(1) ? use of a trade secret pertaining to such infringement;</p> <p>(iv) unfair competition listed in item 12 of Article 2(1) ? use of a domain name pertaining to such infringement; and</p> <p>(v) unfair competition listed in item 15 of Article 2(1) ? use of a trademark pertaining to such infringement.</p> <p>(4) The provisions of the preceding paragraph shall not preclude a claim for damages exceeding the amount prescribed in the paragraph. In such a case, if the person who infringed such business interests did not do so intentionally or through gross negligence, the court may take this into consideration in determining the amount of damages</p>
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(c) Are punitive damages available for breach of trade secrets?

Punitive damages are not available in Japan.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

The amount of compensation for damages caused by infringement of trade secret varies widely on a case-by-case basis and we do not have the statistical information. Just for your reference, the average quantity of awarded damages among the cases we cite in question 7 in Part A is approximately JPY84,000,000.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

With regard to the civil proceedings for compensation for damages or injunctive relief, our legislation does not distinguish those cases in available civil remedies. On the other hand, the UCPA requires certain purposes such as "unfair benefits" for criminal sanctions. In this regard, such factors as fraud, espionage or other improper actions would be considered in determining the purpose during the review of the criminal sanction. For further details about criminal sanctions, etc., please refer to the answer to "CRIMINAL LAW QUESTIONNAIRE".

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

(b) A person who autonomously developed the same information?

The remedies, the compensation for damages and injunction will not be enforceable against persons of (b) above. Also, the remedies will not be enforceable against persons of (a) above, unless such persons disclose or use such trade secret after knowing or not knowing with gross negligence "acts of

wrongful acquisition" defined in Article 2(1)(iv) of the UCPA or "improper disclosure" defined in Article 2(1)(viii).

As set forth in our answer to Question B-5 above, in trade secret actions, normal defenses are to deny the requirements to be trade secrets, namely three requirements to be trade secret and the requirements to be "unfair competition" set forth in Article 2(1)(iv) – (ix).

If a person acquires trade secret in good faith at the time of acquisition, such acquisition will not fall into "acts of wrongful acquisition" of Article 2(1)(iv), Possibly, however, the trade secret might be transferred by "wrongful acquisition" or "improper disclosure" before coming to the person. In that case, the disclosure or usage of the trade secret by the person will be able to fall into the unfair competition of Article 2(1)(vi) or (ix), depending on the state of mind of the person. Therefore, the remedies will be enforceable against the person (a) above if he / she is willful or gross negligence about wrongful acquisition or improper disclosure at the time he / she disclosed or used the trade secret.

With respect to the above, Article 19(1)(vi) exempts from the enforcement the following act:

	English Translation
Article 19(1)(vi) of the UCPA	the act of a person, who has acquired a trade secret through a transaction (limited to a person who, at the time of acquiring such trade secret, had no knowledge that there had been an improper disclosure of such trade secret or that such trade secret had been acquired through wrongful acquisition or improper disclosure, and such lack of knowledge was not based on gross negligence), using or disclosing the trade secret within the scope of authority acquired through such transaction

In sum, the person who has acquired a trade secret through a transaction may use or disclose the trade secret within the scope of authority, but the above described cases set forth above in this sub-section are not exempted.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(a) While the employee is still employed?

Typically, a work regulation or non-disclosure agreement between an employer and employee prohibits the employee to misuse or disclose the trade secrets of the employer. In such cases, injunctive relief is available for the employer.

Even if there is no such article in the work regulation or agreement between the employer and employee, such misuse and disclosure would be prohibited based upon the nature of employment agreement.

(b) Once the employee has left his employment?

In many cases, a work regulation or non-disclosure agreement between an employer and employee obliges the employee not to misuse or disclose the trade secret of the employer after the retirement as well. Also, it is common that at the time of retirement, an employer requests, and an employee agrees, to sign an agreement which includes confidentiality obligation (the title is "certificate", "retirement agreement" or others). In such cases, injunctive relief is available for

the employer as well. For non-competition clause, please see our answer to Question B-12 below.

- (c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

The followings are the samples of such documents:

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#### Pledge of Secrecy

At this time of joining the company, I hereby pledge to comply with the following provisions.

##### Article 1 (Confidentiality during Employment)

I pledge that I will comply with the company's work rule and confidentiality regulations and will not unjustly disclose to a third party or use the following information (the "Confidential Information"):

- (i) technical documentations relating to product development, and any information regarding manufacturing cost or sales price
- (ii) [TBD on case by case basis]

##### Article 2 (Confidentiality after Retirement)

I pledge that I will not unjustly disclose to a third party or use the Confidential Information prescribed by the immediately preceding article.

##### Article 3 (Compensation for Damages)

I pledge that if I commit a violation of any of the preceding articles by unjustly disclosing to a third party or using the Confidential Information as defined in Article 1, I will compensate the company for any damage caused due to such disclosure or use of the Trade Secret.

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#### Pledge of Confidentiality

At this time of retiring from this company, I hereby pledge that I will comply with the following provisions with regard to the Confidential Information (defined below) of the company.

##### Article 1 (Acknowledgement of Confidentiality)

I hereby confirm that I have returned all documentation including but not limited to the original copy, transcription, or any other related materials pertaining to the following information (the "Confidential Information") to the company and possess no such document.

- (i) technical documentations relating to product development, and any information regarding manufacturing cost or sales price
- (ii) [TBD on case by case basis]

##### Article 2 (Confidentiality after Retirement)

I pledge that I will not unjustly disclose to a third party or use the Confidential Information as prescribed by the immediately preceding article.

##### Article 3 (Term of this Pledge)



This pledge is effective for [ ] years; provided however, once the Confidential Information defined in Article 1 becomes public domain, this pledge becomes null immediately.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

Civil remedies are more direct, compared to criminal remedies [Notes: There is no administrative remedies in Japan]. Specifically, the holder of trade secret (plaintiff) can take an action to (i) prevent a defendant from disclosing and using trade secret and (ii) claim compensation for damages in case that trade secret has been already disclosed and / or used. These remedies are, economically speaking, direct remedies to the holder of trade secret. However, the right holder has difficulty in Japan for such enforcement as set forth in our answer to Question B-4 above.

On the other hand, even though criminal sanction is rare, it has a strong restraining effect especially after the amendment of the UCPA, which made the criminal sanction to a judicial person available up to JPY300 million (Law No. 55 of June 7, 2006). Also, in the criminal proceeding, legally speaking, prosecutors and police officers have the authority to compulsorily collect evidence. Again, however, criminal sanction to the violation of trade secret is practically rare in Japan.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

(a) Actual Limitation of Disclosure

First, companies careful about protection of trade secrets would control the disclosure even internally. Specifically, such companies limit the disclosure of trade secrets only to necessary directors / employees. As such, the risk of leakage would decrease.

(b) Non-Disclosure Agreement

Non-disclosure agreements / confidentiality agreements are widely used to protect trade secret. Such agreements include the non-use obligation as well. We understand that such agreements are enforceable in principle.

(c) Non-Competition

Furthermore, to protect the trade secret from disclosure or usage by retiring directors / employees, non-competition obligation is common in our jurisdiction. It is ruled in work regulations, NDAs, certificate at the time of retirement or other formats. Such non-competition obligation typically includes the obligation (i) not to conduct its own business being competitive with the company and (ii) not to have a position in a competitive company. The validity of this obligation is often challenged by a retired employee / director. The Japanese courts judge the validity of this obligation on case-by-case basis in consideration of many factors such as (i) the former position / role of the retired employee / director; (ii) the period that the retired employee / director owes the non-competition obligation, (iii) whether or not the retired employee / director is compensated; and if yes (iv) to what extent; and (v) the necessity to prevent the retired employee / director from competing.

13. With regards to non disclosure and non use agreements:

(a) Are they effective and enforceable in your jurisdiction?

Generally speaking, we understand that such agreements are effective and enforceable in Japan.

(b) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

We do not have statistical information with this regard. Just for your reference, among the cases we cite in question 7 in Part A, in 25% of the cases, the plaintiff made their claim based on both contract law and the UCPA.

(c) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

We are not aware of the doctrine corresponding to the US doctrine of inevitable disclosure in Japan. Practically, as set forth in the answer to Question B-12 above, companies try to oblige retiring directors or employees not to compete within certain periods on contract basis.

As set forth in our answer to Question B-12 above, such non-competition obligation includes the obligation not to have a position in a competitive company and the validity of this obligation is often challenged by a retired employee / director. As also set forth above, the Japanese courts judge the validity of this obligation on case-by-case basis in consideration of many factors including the necessity to prevent the retired employee / director from competing. "Inevitable disclosure" could be the factor of (v) the necessity to prevent the retired employee / director from competing and then justify the non-competition obligation of certain period. Please note, however, that this is an overall judgment and the inevitable disclosure is one of the factors.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

The amendment to the CCP will be effective as of April 1, 2012 and will introduce the articles regarding such international jurisdiction. It is said that this amendment will clarify the practice by interpretation of the CCP and court precedents so far.

Article 3-2 is such an article. It lists the cases where the Japanese courts have jurisdiction. In relation to this question, Japanese courts have jurisdiction if: (i) domicile or principal office or business office of a defendant is in Japan; (ii) a

defendant has assets which can be attached for monetary claims (excluding cases where the value of such property is extremely low); and (iii) the tort was committed in Japan (excluding cases where a harmful act was committed in a foreign state but where the occurrence of consequence of said act in Japan was not normally foreseeable).

Considering the foregoing, Japanese courts have jurisdiction based upon a domicile or principal office or business office of a defendant. Also, the jurisdiction of Japanese courts can be admitted based upon the location of the assets. Further, trade secret infringement is categorized as a tort and if such infringement was committed in Japan, Japanese courts will have jurisdiction. Not only the location of act but also the location of consequences can be the location of tort.

By using the example above, if the domicile / principal office or business office of a defendant is in Japan, Japanese courts will have jurisdiction. Also, if a defendant has an asset which can be attached in Japan, the Japanese court may have jurisdiction. Furthermore, if misappropriation or unlawful disclosure or usage occurs in Japan, Japanese courts have jurisdiction.

For your reference, the English translation of relevant provisions of the amended CCP are as follows:

	English Translation
Article 3-2	<p>(Jurisdiction by the domicile of defendant, etc.)</p> <p>(1) The courts shall have jurisdiction over an action against a person:</p> <ul style="list-style-type: none"> <li>- if he/she has his/her domicile in Japan;</li> <li>- if he/she has residence in Japan, when he/she has no domicile or his/her domicile is unknown; or</li> <li>- if he/she has ever had his/her domicile in Japan before the filing of the action, when he/she has no residence in Japan or his/ her residence is unknown (excluding cases where he/she had his/her domicile in a foreign state after the date when he/she had his/her last domicile in Japan).</li> </ul> <p>(2) Notwithstanding the provision of the preceding paragraph, the courts shall have jurisdiction over an action against an ambassador, minister or any other Japanese national in a foreign state who enjoys immunity from the jurisdiction of that state.</p> <p>(3) The courts shall have jurisdiction over an action against a juridical person or any other association or foundation, if its principal office or business office is located in Japan, or if its representative or any other principle person in charge of its business has his/her domicile in Japan, when it has no business office or other office or its location is unknown.</p>
Article 3-3 (iii) (viii)	<p>(Jurisdiction over an action relating to an obligation under a contract, etc.)</p> <p>Actions listed in the following items may be filed with the courts of Japan in the cases specified in the respective items:</p> <p>(iii) An action on a property right</p> <p>In cases where the subject matter of the claim is located in Japan, or, if the action is to claim payment of money, seizable property of the defendant is located in Japan (excluding cases where the value of</p>

		such property is extremely low).
	(viii) An action relating to a tort	In cases where the place where the tort was committed is located in Japan (excluding cases where a harmful act was committed in a foreign state but where the occurrence of consequence of said act in Japan was not normally foreseeable).

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

The courts in Japan do not always recognize a foreign judgment as enforceable. Article 118 of the CCP is about effect of final and binding judgment rendered by foreign courts. The article is as follows:

	English Translation
Article 118 of the CCP	A final and binding judgment rendered by a foreign court shall be effective only where it meets all of the following requirements: (i) The jurisdiction of the foreign court is recognized under laws or regulations or conventions or treaties. (ii) The defeated defendant has received a service (excluding a service by publication or any other service similar thereto) of a summons or order necessary for the commencement of the suit, or has appeared without receiving such service. (iii) The content of the judgment and the court proceedings are not contrary to public policy in Japan. (iv) A mutual guarantee exists.

The requirements which are more at issue are (iii) and (iv).

With respect to Requirement (iii) above, the final and binding judgments by the foreign courts admitting punitive damages were contrary to public policy in Japan and therefore did not fulfill this requirement. We are not aware of a case where the effect of a final and binding judgment of trade secret actions rendered by a foreign court was reviewed. We assume that this requirement will become a big issue if a trade secret protection is significantly stronger in such a foreign country / state.

Requirement (iv) above is about whether or not a same kind of final and binding judgment rendered by a Japanese court shall have effects which are not different in important points in courts of such a foreign country / state. By way of example, the mutual guarantee was admitted in the cases where the judgments rendered by the courts of the following state / countries were at issue in the Japanese courts: the State of Nevada (The Tokyo District Court No. 1991 (wa) 6792 rendered as of December 16, 1991); Germany (The Nagoya District Court No. 1981 (wa) 3090 rendered as of February 6, 1987); and the United Kingdom (The Tokyo District Court No. 1993 (wa) 6229 and 6231 rendered as of January 31, 1994)), while it was denied in the case the judgment rendered by the Republic of China was at issue (the Osaka District Court No. 2002 (ne) 2481 rendered as of April 9, 2003).

## Latvia

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Yes, there are a number of laws containing specific provisions for the protection of trade secrets. Most important of those are the Commercial Law and the Labour Law. Besides, specific provisions regarding the status and protection of commercial secrets are provided by the Freedom of Information Law, the Competition Law, the Public Procurement Law, the Civil Procedure Law, the Criminal Procedure Law etc.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

The Commercial law is one of the main laws regulating commercial activities. Herein the commercial secret is defined and its features are listed. As well, the exclusive nature of it and the rights to request its legal protection is defined. Taking into account that the Commercial Law also sets forth legal regulation regarding commercial transactions, therein are provided several provisions as to the commercial secrets related to particular types of transactions

The Labour Law is the main law regulating the legal relationships of employment. Concerning the protection of commercial secrets, this law sets forth significant pre-conditions to be fulfilled by an employer in order to ensure the legal protection of its commercial secrets within employment relations.

The Freedom of Information Law is the main law in the field of administrative law ensuring that the public has access to information, which is in the disposal of state or municipality institutions. It determines the uniform procedures how private persons are entitled to obtain information from an institution and to use it. Besides this general law also various laws regulating specific fields provide rules regarding the protection of commercial secrets and confidentiality of such information.

Trade secrets are also referred to in the Law on Compensation of Damages caused by Public Administration Institutions and in the Law on Accounting.

The Commercial Law (Article 19 Part 1) provides that the status of a commercial secret may be assigned by a company for such matters of economic, technical or scientific nature and information, which is recorded in writing or by other means or is not recorded and complies with the following features: (1) they are contained in the company of the company or are directly related thereto; (2) they are not generally accessible to third persons; (3) they have an actual or potential financial or non-financial value; (4) their coming at the disposal of another person may cause losses to the company; and (5) in relation to which the company has taken reasonable measures corresponding to a specific situation to preserve secrecy. On its turn, the Freedom of Information Law (Article 7 Part 1) sets forth that the information created by a company or belonging to a company shall be deemed to be a commercial secret, the disclosure of which may significantly adversely affect the ability to compete of the company.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

N/A

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

N/A

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Although there is a single definition used within the laws of Latvia regarding intellectual property, commercial secrets are generally considered and protected as intellectual property rights. Besides, the Commercial Law sets forth that a company has the exclusive rights to its commercial secrets (Article 19 Part 2).

There is no case law developed on the question if legislation, implementing the Directive on enforcement of intellectual property rights, is applicable to trade secrets. The Directive was implemented by the amendments to the Civil Procedure Law, wherein the separate Chapter 30<sup>2</sup> on matters regarding infringement and protection of intellectual property was adopted. Nevertheless, within the Civil Procedure Law the intellectual property rights are defined as copyrights and neighbouring rights, database protection (*sui generis*), trade marks and geographical origin indicators, patents, samples of designs, plant varieties, and topography of semiconductor products (Article 34 Part 1 Point 4<sup>1</sup>). Commercial secrets are not explicitly mentioned within the definition of intellectual property law as defined by Civil Procedure Law. Therefore its applicability to the protection of commercial secrets is to be decided under the case law which has not developed yet.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

The definition of commercial secrets provided by the Commercial Law refers to matters of economic, technical or scientific nature and information (Article 19 Part 1).

It has been commented that the term “commercial secrets” shall not be considered only substantially and based on the definition provided by the Commercial Law. In accordance with judgment of the Supreme Court in case No SKC-546, dated November 19, 2003<sup>100</sup> - unlawful activities are not only the disclosure of commercial secrets, but it may also relate to the disclosure of other confidential information, which is prohibited by the job description, the work order regulation and other documents binding to an employee<sup>101</sup>.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market

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<sup>100</sup> “Darba likums ar komentāriem” [*The Labour Law with commentaries*], Attorneys at Law „BDO Zelmenis & Liberte”, 2010.

<sup>101</sup> *ibid.*

practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

Although the Commercial Law sets forth the definition of commercial secrets, as well as the exclusivity of such rights, the explicit inclusion of commercial secrets into the enumeration of intellectual property rights by the Civil Procedure Law would eliminate uncertainty and potential disputes whether provisional protection measures provided by the Civil Procedure Law are applicable also for the protection of commercial secrets.

Besides, due to the lack of case law on the protection of commercial secrets reviewed by courts (*it is also difficult to follow whether or not such cases are reviewed by courts in Latvia*) at this stage it is problematic to provide any comments on inadequacies or necessary improvements.

There are no current proposals on legislation related to the trade secrets.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Only comparatively recently the courts have been authorized to review cases on trade secrets, therefore no leading case law has developed so far.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

The issue about trade secrets is not extensively debated at academic or practical level.

There are several publications either addressing the issue of commercial secrets as one of issues discussed or analyzing a particular case or problem related to such issue. For example, within "The Commentaries to the Commercial Law. Part A. General Terms of Commercial Activities" (by A.Strupišs, 2003) it is possible to find the explanatory comments regarding the general provisions of Commercial Law regarding commercial secrets. The Public Report 2008 of the Competition Council provides the information that in 2008 the Competition Council adopted seven decisions in unfair competition cases and only in one case the violation was established and a penalty imposed. The violation was established where a company by unlawfully acquiring and exploiting the commercial secrets (the data base of clients and suppliers, the information on price formation, discounts and calculated bonuses etc.) of its competitor breached the prohibition of unfair competition.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

The right holder shall evidence the object of his/her rights, that is, if the information can be classified as a commercial secret.

The respective provisions of Commercial Law (Article 19) on commercial secrets have to be considered to start a legal action against an infringement of a trade secret. Thus, the status of a commercial secret may be assigned to matters of economic, technical or scientific nature and information which is recorded in writing or by other means or is not recorded and complies with all following features:

- 1) they are contained in the company or are directly related thereto;
- 2) they are not generally accessible to third persons;
- 3) they have an actual or potential financial or non-financial value;

- 4) their coming at the disposal of another person may cause losses to the company;  
and
- 5) in relation to which the company has taken reasonable measures corresponding to a specific situation to preserve secrecy.

As regards the last mentioned feature (reasonable measures to preserve secrecy), any kind of classification of information and assigning of limited access rights to such information within the company is to be taken into account. For example, practical measures to ensure only specific or limited access to information, which is necessary for the fulfilment of duties or such may be an internal regulation regarding the usage of information systems (passwords or other possibilities to control the usage of resources). Likewise, the terms on conditions regarding confidentiality within the agreement with clients and partners can be assessed. Furthermore, the terms and conditions regarding the protection of commercial secrets introduced within employment agreements and internal regulations might be considered.

In a case where an employee has been involved into the unlawful activities with commercial secrets, the respective requirements of Employment Law are to be considered, in particular, the obligation to indicate in writing to an employee what information is to be regarded as a commercial secret. Thus, it may be necessary to prove that this obligation of an employer is fulfilled.

## 2. What civil remedies are made available? Are the remedies cumulative?

According to the Civil Procedure Law following remedies are available: provisional protection in matters regarding infringement and protection of intellectual property, the securing of claim and the securing of evidence. These remedies might be applied simultaneously.

### *2.1. the means of provisional protection in matters regarding infringement and protection of intellectual property*

As noted above, the existing wording of the Civil Procedure Law may cause certain problems when requesting the court to apply the provisional protection regarding commercial secret.

If there is a basis to believe that the rights of an intellectual property right holder are being infringed or may be infringed, a court on the basis of a reasoned application from a claimant may take a decision to establish the mean(s) of provisional protection. The adjudication of such question is allowed at any stage of the proceedings, as well as prior to the bringing of an action to a court. According to the Civil Procedure Law, the means of provisional protection are the following: the seizure of such moveable property, by which it is alleged that the intellectual property rights are being infringed, the duty to recall goods, by which it is alleged that the intellectual property rights are being infringed, or the prohibition to perform specific activities by both the defendant and persons, whose provided services are utilised in order to infringe intellectual property rights, or persons who make it possible for the committing of such infringements.

### *2.2. the securing of claim*

If there is reason to believe that the execution of a court judgment in a case may become problematic or impossible, a court or a judge may, pursuant to a reasoned application by the claimant, take a decision regarding the securing of claim. The securing of claim is allowed only in claim of financial nature, but the examination of issue of the securing of claim is allowed at any stage of the proceedings, as well as prior to the bringing of court action.

According to the Civil Procedure Law, means of the securing of claim are the following: seizure of movable property and monetary funds of the defendant; recoding of prohibition endorsement in the register of moveable property or other public register; recording of endorsement regarding the securing of claim in the Land Register or the Ship Register; arrest of a ship; prohibition to the defendant to perform certain activities;



seizure of payments, including monetary funds in credit institutions and other financial institution, which are due from third persons; postponement of execution activities (also prohibition to bailiffs to transfer money or property to a debt-collector or debtor or suspension of property sale).

Simultaneously, the application of several means of securing claim is allowed, taking into account that, when satisfying an application for the securing of claim, within the respective decision the amount to which the security extends has to be set out. Such amount may not exceed the amount of sum of claim.

### 2.3. *the securing of evidence*

If a person has caused to believe that the submission of necessary evidence on their behalf may later be impossible or problematic, a person may ask to the court for such evidence to be secured. The respective applications for securing evidence may be submitted at any stage of the proceedings, as well as prior to the bringing of an action to a court.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

Generally it is possible to obtain ex parte orders as far as it is considered as securing of evidences.

The securing of evidence is regulated by the provisions of Civil Procedure Law (Chapter 16) and, besides other matters, it sets forth procedures by which applications for securing of evidence prior to initiation of the matter in a court are decided (Article 100). With a decision by a judge, evidence without summoning potential participants in the case may be ensured only in emergency cases, including emergency cases of violations of intellectual property rights, or cases of possible such violations, or where it cannot be specified who shall be participants in the case (Article 100 Part 3 of the Civil Procedure Law). If a decision regarding the securing of evidence has been taken without the presence of the potential defendant or the other participants in the case, they are notified regarding such decision not later than by the moment of the execution (Article 100 Part 4 of the Civil Procedure Law).

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

As noted above, it may be questioned whether the provisional protection measures are applicable also to the cases of commercial secrets, since they are not explicitly included into the definition of intellectual property rights by the Civil Procedure Law. Besides, the securing of claim and the securing of evidence can be sought also.

Generally, it is rather difficult to state what difficulties are encountered by plaintiffs, when protecting their trade secrets. However the general burdens with gathering of evidence to prove illegal activities performed with or in relation to the trade secrets can be noted. Furthermore, there might be certain problems when proving that elements of legal status of trade secrets have been ensured, in order to evidence that the information and data in question has the respective legal status and the protection resulting from such.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Final obligations to a defendant as set forth by the court within its judgment are not limited in time. The execution of judgment is carried out by a bailiff.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

The duration of proceedings depend on complexity of the case as well as of number of instances of the court. The first court of instance might take approximately 6 to 24 months.

The state fee set under the Civil Procedure Law for bringing the claim which is not of financial nature is EUR 70.00. However, we are not able provide costs of proceedings to final judgement which might depend from case to case.

(d) Are cases involving technical trade secrets heard by specialist judges?

There are judges specialized in intellectual property law. However, the specialization is limited to legal knowledge, not technical.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

Pursuant to a reasoned request by a participant in the case or at the discretion of the court the court sitting or part thereof may be declared as closed if it is necessary to protect official secrets or commercial secrets (Article 11 Part 3 Point 1 of the Civil Procedure Law). The party might request the court to handle the case in closed hearing.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

It is not possible to provide even a rough estimate of cases. Such statistics are not organized.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

It may be problematic to prove that the reasonable protective measures for security of commercial secrets have been ensured in a particular situation and/or that employees have been made aware of such status of commercial secrets in writing.

5. What defences are available to the defendant in a trade secrets action?

Generally, those would be arguments that the particular information is of general nature, that a claimant has not ensured reasonable protective measures for security of its commercial secrets or that it is the defendant's own professional knowledge.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

Due to the lack of publically discussed cases adjudicated by courts, it is impossible to provide information on the requisites considered by the courts or how the owner of commercial secrets is expected to prove the importance of its commercial secrets.

7. As to award of damages:

(a) What are the available options?

The Commercial Law provides that a company may request damages caused by the illegal disclosure or exploitation of its commercial secrets (Article 19 Part 3). Furthermore, it is provided that everyone has a duty to compensate for damages they have caused through their acts or failure to act (Article 1779 of the Civil Law) and as

damages are understood as any deprivation which can be assessed financially (Article 1770 of the Civil Law). Besides, every damage, except an accidental one, has to be compensated (Article 1775 of the Civil Law). On its turn, if the duty to compensate for damages arises from a breach of contractual obligations, then the amount of compensation is determined in accordance with the agreement (Article 1785 of the Civil Law).

Competition Law provides that upon a request by the claimant in case of unfair competition a court may at its discretion set the amount of the compensation (Article 21).

(b) What are the criteria to determine and calculate damages?

There is no specific procedure how to calculate the damages in cases related to commercial secrets. Therefore, to claim compensation for damages it would be necessary to establish (1) unlawful activity by a defendant; (2) fault of defendant; (3) damages incurred by a plaintiff; and (4) the causal link.

It is not permitted to claim the compensation of damages if through the exercise of due care such could be prevented, except in a case of malicious infringement of rights (Article 1776 of the Civil Law). When assessing the damages, one has to consider not only the value of the principal property and its accessories, but also the detriment indirectly caused by the loss having taken place and lost profits (Article 1786 of the Civil Law).

(c) Are punitive damages available for breach of trade secrets?

No.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

It is not possible provide information on the average damages. Moreover, the amount of damages depends on circumstances of the each case.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Generally, there is no distinction made regarding the cases of trade secret violations whether they are resulting from the illegal activity or contractual default. Criminal liability can be applied if particular activities meet the criteria set forth in the specific provisions of Criminal Law.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

(b) A person who autonomously developed the same information?

The remedies are generally available against both. However, a person would not be held liable if such information has been acquired in the good faith or autonomously developed and it can be proven so.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(y) While the employee is still employed?

Obligations regarding commercial secrets can be set forth within an employment agreement. The Labour Law also stipulates the duty of non-disclosure of employees, however the employer has a duty to indicate in writing what information is to be regarded as a commercial secret (Article 83 Part 1).

(z) Once the employee has left his employment?

It may be agreed in an employment agreement between an employee and employer, in addition to which such an agreement may also regard non-compete obligations.

- (aa) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Below is the example covering both scenario (a) and (b). Please see also comments at Point 5 regarding the disclosure of other confidential information by employees.

*According to Article 83 of the Labour Law, the Employee is obliged within the validity of this Agreement, as well as [---- years] after its termination to observe the confidentiality and, without the prior written consent of Employer, either directly or indirectly in any manner and form not to disclose and not to make accessible for third persons the information, which the Employee has acquired during the employment relations, regardless of the fact whether such information relate to the Employer itself or has been entrusted to the Employer by any third person, and regardless of the fact whether such information is related within the employment duties of employee set forth within this Agreement, as well as not exploit such information for the interests of employee or any third person, including, but not limited to the following information:*

- a) Terms and condition of this Agreement and/or other internal documents of Employer;*
- b) Any kind of information regarding the client and cooperation partners of Employer;*
- c) Systems and activities for the attraction of clients;*
- d) Results of economic activities and finances;*
- e) Any kind of information regarding persons with whom the Employer cooperates and persons providing services to the Employer, as well as terms and conditions and documents on which such relations are based;*
- f) All information marked as "CONFIDENTIAL" or similarly, as well as information from which content results its confidentiality;*
- g) All access codes and passwords to the data bases, special software and servers of Employer, codes of security systems;*
- h) All accountancy and financial data, which are not included into the public reports;*
- i) ....*

*All the above referred information and the information identified otherwise by the Employer as confidential, as well as any other information, which have to be reasonably considered as confidential, shall be considered as the commercial secrets of Employer according to Article 83 of the Labour Law. The non-disclosure obligation of this Agreement is not referable only to the disclosure of such information, which is provided as the mandatory to be disclosed by the Employee according to the effective laws of Latvia.*

There is no case law on enforcement of such clauses.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

The main pros and cons relate to the possibilities of obtaining evidence. However, civil proceedings allow more active participation of claimant, not only relying on the activities

performed by officials. Meanwhile claimant shall bear the burden of proof in civil proceedings, while officials shall bear burden of proof in criminal proceedings.

Furthermore, the potential publicity related to the criminal proceedings may also be considered, whereas the same publicity may not result from civil proceedings.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

According to our experience, non-disclosure agreements and clauses are often used to protection the information containing commercial secrets. Such contractual obligations can be strengthened by contractual penalties or other measures, like the choice of jurisdiction.

13. With regards to non disclosure and non use agreements:

(cc) Are they effective and enforceable in your jurisdiction?

Generally non-disclosure and non-use agreements are effective and enforceable in Latvia. However, the enforcement of each particular obligation and provision may be dependent on the particular circumstances of each case.

(dd) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

As noted above, the enforcement of an agreement would be dependent on the particular circumstances of each case. For example, in case of employment relations it will be assessed in accordance with contract law and the employment law.

(ee) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

No.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

(a) Place where trade secrets are created/conceived, and/or

(b) Place where misappropriation of trade secrets takes place, and/or

(c) Place where unlawful use of trade secrets takes place, and/or

(d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

Most likely the principle of closest connection would be applicable in order to determine the relevant jurisdiction.

Since every natural or legal person has the rights to protect the infringed rights or the disputed civil rights or the interests protected by the law in court (Article 1 of the Civil Procedure Law), the litigation proceedings could be started in cases (b) and (c), since the particular activities have taken place in Latvia and the rights related to the commercial secrets would have to be protected in Latvia. In case (d) it would be possible to start litigation procedure in Latvia, provided that it can be proven that particular rights of a party domiciled in foreign jurisdiction have to be protected in Latvia. On its turn, it is questionable whether the mere creation of commercial secrets would imply the

jurisdiction of Latvia, if parties are not operating in Latvia and there are no rights of them to be protected here.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

The Civil Procedure Law provides that adjudications by foreign courts and foreign arbitration are to be executed in accordance with the rules set under the law (Article 539 of the Civil Procedure Law).

## Lithuania

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Yes, there are a number of acts containing specific provisions for the protection of trade secrets, most importantly the Civil Code (18 July 2000, No. VIII-1864, as amended), the Labour Code (9 December 2010, No XI-1219, as amended), and the Law on Competition (23 March 1999, No VIII-1099, as amended). Lithuania does not, however, have a special act on the protection of trade secrets.

The protection of trade secrets disclosed in legal proceedings is also secured by virtue of the Code on Civil Procedure (28 February 2002, No. IX-743 as amended) as well as the Law on Copyright and Related Rights (18 May 1999, No. VIII-1185 as amended).

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

The Civil Code (civil law, contractual and non-contractual liability), the Labour Code (labour law), the Code on Civil Procedure (civil procedure law), the Law on Competition (unfair competition and civil law).

The trade secrets are defined in the civil law field. Article 1.116 "Commercial (industrial) and professional secret" of the Civil Code provides that:

"1. Information shall be considered to be a commercial (industrial) secret if a real or potential commercial value thereof manifests itself in what is not known to third persons and cannot be freely accessible because of the reasonable efforts of the owner of such information, or of any other person entrusted with that information by the owner, to preserve its confidentiality. The information that cannot be considered commercial (industrial) secret shall be determined by laws."

There are no definitions of trade secrets in other fields of law and the definition provided in the Civil Code is usually referred to in other fields of law.

No definition of trade secrets has been adopted in the acts specified above. The relevant provisions usually mention both trade and business secrets, but no practical difference is made between the two. It has also been mentioned in the preparatory works of the Unfair Business Practices Act that it is difficult to come up with a specific definition. It is usually held that trade secrets refer to information which is important to keep confidential in terms of the proprietor company's business.

The only act governing the protection of trade secrets and containing a definition of business secrets is the Criminal Code. More information on these provisions can be found in the Criminal Law Questionnaire.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

N/A

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

In Lithuania, there is no conclusive legal doctrine or case law regarding attribution of trade secrets to intellectual property. In the matters of legal protection of trade secrets, usually the Paris convention granting protection against unfair competition is invoked in arguing that trade secrets fall within the scope of intellectual property.

The Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights is transposed to the respective laws related to relevant sphere of intellectual property, such as the Law on Copyright and Related Rights, the Law on Trademarks, the Law on Patents. However, as there is no special law enacted for protection of trade secrets, the legislation, corresponding to the measures provided by the Directive, is not established in relation to trade secrets.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

The definition provided in the Civil Code uses the term "commercial secret" rather than "trade secret". "Industrial" (translation can also be as "manufacturing") secrets are used as a synonym in the definition. "Professional secret" is distinguished as a specific type of protected secrets which relate to professional activities.

The Labour Code uses the term "technology secret" without, however, defining its meaning. The case law has clarified that "technology secret" is a variant of "commercial secret" which means the legal protection is granted the same.

In some laws (e.g. the Law on Companies), the term "confidential information" is used in addition to the term "trade secrets" and there is no explanation given about the legal implication of such different terminology.

The case-law identifies various types of information as trade secrets on case by case basis. Customer-lists and pricing information are usually attributed to protected information.

There are no differences in treatment of trade secrets according to their type.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible



and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

The main inadequacy of the Lithuanian laws related to trade secrets, in our opinion, is lack of special enforcement measures during or even before legal proceedings, which would secure the possibility of the parties to collect and preserve evidence in case of breach of confidentiality obligations. The measures similar to those in the Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, could be also implemented into Lithuanian laws.

It could be also considered as an inadequacy of the Lithuanian law that the relevant provisions are spread over different acts and trade secrets as an object of protection seem in general to fall into a "grey area", being related to intellectual property but not explicitly recognized as such.

Another particularity of Lithuanian law which gives uncertainty regarding protection of trade secrets within the company (in terms of internal employment relations) is the requirement under the Law on Companies for the board of directors of a company (if there is no board – the director) to approve the list of information which is deemed as trade secret or confidential information. Although it has not caused any practical issues preventing protection of trade secrets, from the legal point of view it is not clear what consequences would there be if such list is not established. In our opinion, such requirement of law should be revoked or it should be made as a simple indication of attribution of competence between the governing bodies of a company, without an obligation to have such list established.

There are no current proposals on legislation related to trade secrets.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Supreme Court 2004, resolution no. 45: the provisions of Labour Code, which allow the employer to dismiss an employee who disclosed or transferred commercial secrets to competitors were clarified. The court explained that term of commercial secret used in Labour Code should be interpreted as it is defined in the Civil Code article 1.116. The court also stated that in order to establish that an employee committed a breach of confidentiality obligation it is necessary to prove that employee was notified under signature that specific type of information is treated as commercial secret.

Supreme Court 2006, case no. 3K-3-499/2006: the court clarified the relation between the "bank secret" as it is defined in the Law on Banks and the "commercial secret" as defined in the Civil Code. The court concluded that the bank secret can be treated as commercial secret at the same time if all the elements of the definition of the commercial secret are established. The legal problem was related to Labour Code provisions which do not specifically mention if the disclosure of a bank secret can constitute a ground for dismissing an employee. The court held that when a bank secret is disclosed which is also a trade secret the termination may be applied.

Supreme Court 2007, case no. 3K-3-197/2007: the case related to use of confidential information by an employee who terminated his employment and started competitive business of furniture trade. The legal question to be resolved by the court was if the employee can be required to refrain from using information received from employer during his employment in his competitive business or employment and if such

requirement is not contrary to constitutional right to have work (occupation). The court decided that the restriction established by the Law on Competition is only temporary, i.e. prohibits use of information only for one year. Therefore, an ex-employee is not prevented to be employed in principle and can be prevented from use of confidential information. Another legal question was compensation of damages. The court held that especially in unfair competition cases where respondent avoids submitting the data necessary for calculation of damages, the damages may be assessed by relying on the data submitted by the claimant.

Supreme Court 2007, case no. 3K-3-485/2007: the court resolved that the list of clients which an employee became aware of during his employment can be recognized as a commercial secret and use of such information in competitive business established after termination of employment is prohibited.

Supreme Court 2011, case no. 3K-3-303/2011: the court emphasized that in cases of disclosure of commercial secrets more weight should be given to indirect evidence when establishing the violation. The case concerned the use of information obtained during previous employment and the claimant was able to prove only that a new type of product was mentioned in the investment plans of the previous employer, however, it was not proved that any specific data related to the product was known to employee. The court nevertheless concluded that a breach was committed.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

R. Užpalienė. *Komercinė paslaptis ir jos sauga*, Vilnius, Lietuvos informacijos institutas, 1997 m. Deals with the general questions of definition and features of trade secrets, protection legal regime.

A. Matkevičius. *Civilinė atsakomybė bendrovės komercinių paslapčių apsaugos pažeidimų atvejais*. *Jurisprudencija*. 2008 5(107). The article discusses problems in establishing civil liability for disclosure of commercial secrets, non-contractual and contractual liability is investigated, problems related to establishing the amount of damages are also researched.

A. Matkevičius. *Bendrovės komercinės paslapties objektas*. *Jurisprudencija*. 2007 (10)100. The article investigates what information can constitute protected commercial secrets, what criteria is applied for determining the commercial secrets.

A. Matkevičius. *Bendrovės komercinių paslapčių apsauga: daktaro disertacija*. Mykolas Romeris University, 2008. Doctoral thesis dedicated to research of legal protection of commercial secrets of a company.

Gintarė Surblytė. *Atsakomybė už neteisėtą komercinės paslapties įgijimą, atskleidimą ar jos naudojimą*. *Justitia*, 2008, 3(69). The article deals with questions of liability for acquiring, disclosure and use of commercial secrets from civil law as well as criminal law perspective.

Valentinas Mikelėnas, Alfonsas Vileita, Algirdas Taminskas. *Lietuvos Respublikos civilinio kodekso komentaras. Pirmoji knyga. Bendrosios nuostatos*. 2001. The commentary to the book 1 to the Civil Code provides general explanation of the provisions of the Civil Code related to protection of trade secrets, namely article 1.116.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

If it is claimed that a contractual obligation of non disclosure and confidentiality has been breached, it must be demonstrated that such breach took place, i.e. the claimant must provide arguments demonstrating that certain information was protected under contract or law, and that such information was disclosed, transferred or used. Evidence supporting the arguments should be also provided. In addition, if damages are claimed, it must be shown that the breach resulted in certain damages, or that there was a written agreement imposing monetary fine for the breach.

2. What civil remedies are made available? Are the remedies cumulative?

The general civil remedy is a claim for compensation of damages. The damages may also include benefit received by the infringing party.

If there is a contractual obligation of non disclosure which is secured by a written agreement on monetary fine, the monetary fine may be claimed.

In case the monetary fine is established by a written agreement, the claim for the fine is included into the claim for damages (if both these claims are made), i.e. the fine may not be claimed in addition to damages.

The party suffering from infringement may also claim that the infringing party terminates the infringement (if it is of continued nature).

It is also possible to make a "preventive claim", whereby the holder of a trade secret requests prohibition of threatened future infringement.

It is possible to combine some of the claims, e.g. claim for damages and claim to terminate a continued infringement.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

The claimant may request the court to issue an order to secure evidence. For example, it is possible to collect certain documents (paper or electronic) at the disposal of the respondents. If such an order is issued, the premises may be searched and the evidence indicated in the court order may be seized.

Upon request of the claimant, the defendant may be ordered to disclose the information as to the whereabouts of documents and files containing relevant data. However, the code on civil procedure grants a right for defendant not to provide the court with documents which would be detrimental to its interests. On the other hand, if the respondent does not comply with the court order, it is likely that it will fail to defend the case and the court would rely on the presumption of existence of such evidence.

The order for securing evidence may be issued ex parte if the claimant may demonstrate that the circumstances require urgency.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

The injunction is available for the claimant. The court may order the respondent to stop continued breach e.g. use of commercial secret under the request of the claimant. The claimant has to demonstrate that respondent is in breach of confidentiality obligations, i.e. that certain trade secret is used in breach of contractual obligation assumed by the respondent. The claimant must also demonstrate that if an injunction is not applied, the enforcement of the court decision will become more difficult.

Expedited actions are not available in trade secret infringement cases.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Injunctions are limited in time by the entering into force of a final court decision satisfying or dismissing the claim. Final injunctions are not limited in time.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

It is difficult to provide any average estimate on duration and cost of proceedings, as they depend on the issues raised in each individual case.

A rough estimate for the duration of proceedings at the first instance is between one year and two years from initiating a claim to the judgment. The possible appeal phase can then take an additional six to twelve months, after which there is the possibility of cassation procedure at the Supreme Court which takes another six months.

The average cost of proceedings is also difficult to assess; the proceedings may cost anything between 2.000 and 20.000 Euros.

(d) Are cases involving technical trade secrets heard by specialist judges?

No. However, if cases involve patents the Vilnius circuit court will have exclusive jurisdiction and usually patent cases are assigned to judges who have experience with that type of cases.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

The court is allowed by a motivated ruling to fix the closed court seating, where public is denied to be present if the publicly investigated case can disclose commercial secrets.

Upon request of the parties or by its own initiative when declaring the final judgment the court may declare which materials of the case are to be recognized as non-public.

When a party submits documents to the court which contain commercial secrets the party may ask the court not to allow another party to the case to be acquainted with the documents and to make copies. The court may grant such a request by a motivated ruling.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

It is very difficult to give even a rough estimate of cases, since trade secret related cases can be heard in any local or district court in Lithuania, and the courts do not provide statistics on such cases. For the year 2011 there are 11 court rulings published regarding trade secrets and available at the public database of court decisions. These include decision of the Supreme Court and the courts of appeal.

Our estimate is that there are about 10 trade secret cases heard in Lithuanian courts yearly. The cases we are aware of have usually focused on product specifications, sales, financial information, and client lists. Usually cases are related to trade secrets disclosed or misused by employees or ex-employees.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

There were cases in Lithuania where the companies failed to prove that certain information had to be treated as a trade secret by an employee, because the employee was not notified properly what kind of information is recognized by the employer as trade secret.

It can also be difficult to prove that the information in question is a trade secret, if it is close to general professional knowledge.

5. What defences are available to the defendant in a trade secrets action?

In employment related cases defendants usually argue that they were not aware that certain information was recognized as trade secret by employer. Sometimes it is also argued that transfer of information outside the working premises did not constitute breach because no disclosure took place.

The law allows defendants to invoke the defense of public safety, i.e. if defendant proves that the disclosure of trade secret is justified by the interest of public safety he is excused from liability.

Another defense which can be invoked may be that information disclosed was not secret, e.g. that the holder of information did not take efforts in preserving the information, or the information has no commercial value, or it is or became public knowledge. There are certain types of information (e.g. annual financial accounts) which are not considered as trade secret under the laws which can also be invoked as defense.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

The trade secret owner is required to show that it has been active in trying to keep the information confidential. Indications of this can be the use of non-disclosure clauses in agreements or monitoring carried out at the premises of the business or by issuing internal regulations specifying the types of protected information and obligations of employees related to protection of trade secrets.

It is also required that trade secret has certain commercial value, however, the claimant does not have to provide any specific evaluation, even the fact that certain measures are taken to secure information and the information is not available to third parties may be enough to recognize that the information is valuable.

7. As to award of damages:

(a) What are the available options?

In trade secret matters, damages are assessed according to the general provisions on liability contained in the Civil Code. Contractual as well as tort liability rules may be applied depending on if the contractual obligation of confidentiality is breached or a trade secret is obtained or misused by parties unrelated to the holder of trade secret.

The direct as well as indirect (lost profit) damages may be claimed. The gains of the breaching party may be recognized as damages of the party suffering from infringement.

If the parties agree on penalties for infringement they may be claimed instead of damages.

(b) What are the criteria to determine and calculate damages?

The amount of damages is calculated on the basis on any information regarding the investment expenses incurred for its creation, development and use. If the profits are lost due to disclosure of trade secrets the claimant must demonstrate that certain real profits would have been earned had the infringement not taken place. The gains received from misuse of trade secrets by respondent are calculated less the costs incurred during the use.

If there is no decisive date available for the court regarding amount of damages the court is allowed to estimate damages judging from the data available in the case.

(c) Are punitive damages available for breach of trade secrets?

No.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

No average can be given as the amount varies from case to case. In one case the amount awarded was 8 100 EUR, in other cases – 8 500 EUR; 30 400 EUR; In one of the cases, a contractually agreed fine of 11 000 EUR was awarded to the trade secret holder.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Under the Lithuanian legislation, in case violations result from breach of contractual obligations, the contractual liability rules will be applied. If a violation is committed by a person who is not a contractual party of the trade secret holder, non-contractual liability rules will be applied. However, in terms of remedies there are no differences in calculation of damages or other relief available to the claimant.

9. Are the remedies identified for your jurisdiction also enforceable against:

- (a) A person who obtains trade secrets in good faith? and/or
- (b) A person who autonomously developed the same information?

The remedies are generally available and the case may be brought in any circumstances. However, if a person can show that he autonomously developed the same information or that said information is part of his own professional knowledge, he would not be held liable for trade secret violations. In case good faith is shown, e.g. the infringing party did not know that information constitutes trade secret it may be a ground to release the respondent from liability or reduce the amount of damages to be awarded.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- While the employee is still employed?

Can be easily prevented in the employment agreement and is also prohibited by law.

- Once the employee has left his employment?

May be agreed in the employment agreement and the Law on Competition provides for prohibition for one year.

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Below is an example covering both scenarios (a) and (b). The Courts do not generally make any standard difference between types of trade secrets.

*"The employee shall not disclose, had over or otherwise transfer by any available means of communication or data storage devices, which are allowed to be used at the time of conclusion of the present agreement, the Confidential Information to any Third Party during whole term of validity of the employment agreement as well as not less than three years after termination of employment relations. When Employee has doubts if the information available to him is Confidential, he shall consult the Company immediately to clarify if the information is Confidential Information in terms of this Agreement. Before the Employee does not get a confirmation from the Company that such information is not Confidential Information, he shall keep secret such information as Confidential Information."*

*"For the purposes of this agreement Confidential Information shall include:*

- *information about payroll, income, expenses, projects and their budgets, all financial information of the Company;*
- *lists of clients, suppliers, partners, sale and purchase terms; contracts, sale pricing, costs of products, sales methods, management reports, management principles;*
- *information about clients of the Company, payments to the Clients by the Company, discounts applied to the clients;*
- *any other commercial, financial, legal, technical information, as well as information related to policy of development of the Company, its technologies, contracts, marketing, business plans, know-how;*
- *information, including passwords and access codes, related to security system of premises of the Company."*

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

The main pros and cons mostly relate to the obtaining of evidence. If there are grounds for instigating criminal proceedings against a potential trade secret violation, it is clear that the police investigating such matters have more extensive powers of obtaining information than would be the case in civil proceedings.

However, it may be the case that criminal proceedings are more burdensome to the trade secret holder as they usually take more time than civil cases and may attract publicity. The launching of criminal proceedings also requires the surpassing of a threshold of suspicion that a crime has been committed.

Civil remedies can be more flexible to use, especially in case the plaintiff wants to take an active role in the matter. It can also be easier to establish misuse as the establishment of negligence will suffice, contrary to criminal proceedings where intentionality must be shown.

It should also be noted that usually when a civil law conflict is litigated in civil courts, the parallel criminal investigation is often terminated, because prosecution sees the conflict as one of the civil law.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

According to our experience, non-disclosure agreements or clauses are most often used and can often be strengthened with clauses on liquidated damages. Alleged breaches of non-disclosure obligations can be settled according to the manner of dispute resolution agreed between the parties and are generally enforceable.

13. With regards to non disclosure and non use agreements:  
(ff) Are they effective and enforceable in your jurisdiction?

Such agreements are as a starting point enforceable. This is not to mean that such an obligation will necessarily be enforced in all respects in accordance with its terms, as this may be affected by the circumstances of the case.

There is case law in which such agreements have often been held as justified and enforceable.

(gg) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Such agreements will be assessed in accordance with contract law and unfair competition law.

(hh) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

No.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or



(c) Place where unlawful use of trade secrets takes place, and/or  
(d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

Litigation would be actionable in Lithuania at least in cases (b) and (c) as these are both activities the trade secret holder could invoke as grounds for his claim according to Lithuanian law. Case (d) would also be possible, as it is in theory possible to commence an action in Lithuania even though the parties would be domiciled in a foreign jurisdiction, in case the connection of the matter to Lithuania is in other ways clear and at least one of the parties would be engaging in business in Lithuania.

The mere case (a) by itself would in our opinion not give grounds to an action if, for example, the companies do not operate in Lithuania at the time of the action.

The main requirement for bringing an action is that the defendant is domiciled in Lithuania. Therefore, the cases mentioned above would be possible as exceptions to this rule (being based on the fact that the potential damage to the trade secret holder has occurred or infringement committed in Lithuania), but not necessarily very common or practically realizable. Such questions would in any case be decided by the Court according to the EU regulation 2001/44/EC.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

According to EU regulation 2001/44/EC, judgments from other EU states would be recognized in Lithuania as well, in case the criteria of the regulation are met. As for other countries, the case would depend on possible bilateral agreements between said country and Lithuania, and no clear answer can be given. However, usually differences in definition of the trade secret would not suffice as grounds to refuse recognition and enforcement. Breach of public order or improper determination of applicable law would be required for refusal to recognize and enforce foreign judgment.

## Luxembourg

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Trade secrets are not protected in Luxembourg by specific legal provisions.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

According to case law, facts known only to a limited circle of people who have an interest in keeping them secret, who are related to a commercial or industrial enterprise and whose disclosure is likely to cause damages to the person they relate to, can be considered as trade secrets.

(Cour d'appel de Luxembourg, 25 février 2003, n° 54/03; Tribunal d'arrondissement de Luxembourg, 30 mai 2002, n° 1370/2002; Tribunal d'arrondissement de Luxembourg, 25 mars 2003, n° 773/2003)

(In English : Court of Appeal of Luxembourg, 25 February 2003, n° 54/03; District Court of Luxembourg, 30 May 2002, n° 1370/2002; District Court of Luxembourg, 25 March 2003, n° 773/2003)

There is no doctrine concerning trade secrets in Luxembourg.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

Trade secrets can be protected by unfair competition law (i), criminal law (ii) and tort law (iii).

i) Infringement of trade secrets is a violation of article 14 of the law of 30 July 2002 regulating certain commercial practices, forbidding unfair competition and implementing Directive 97/55/CEE of the European Parliament and the Council modifying Directive 84/450/CEE on misleading advertising.

(Loi du 30 juillet 2002 réglementant certaines pratiques commerciales, sanctionnant la concurrence déloyale et transposant la directive 97/55/CE du Parlement européen et du Conseil modifiant la directive 84/450/CEE sur la publicité trompeuse afin d'y inclure la publicité comparative)

Article 14 reads as follows :

« Commet un acte de concurrence déloyale toute personne qui exerce une activité commerciale, industrielle, artisanale ou libérale qui, par un acte contraire aux usages honnêtes en matière commerciale, industrielle, artisanale ou libérale, soit à un engagement contractuel, enlève ou tente d'enlever à ses concurrents ou à l'un d'eux une partie de leur clientèle ou porte atteinte ou tente de porter atteinte à leur capacité de concurrence. »

(Free translation: "A person commits an unfair competition act if he exercises a commercial, industrial, skilled crafts or self-employed activity and, by acts contrary to honest purposes in commercial, industrial, skilled crafts or self-employed activities, or to a contractual agreement, takes away or tries to take away from his competitors or one of them part of their clientele or who interferes or tries to interfere with their competitive capacity.")

ii) Article 309 of the Criminal Code provides that:

« Celui qui, étant ou ayant été employé, ouvrier ou apprenti d'une entreprise commerciale, ou industrielle, soit dans un but de concurrence, soit dans l'intention de nuire à son patron, soit pour se procurer un avantage illicite, utilise ou divulgue, pendant la durée de son engagement ou endéans les deux ans qui en suivent l'expiration, les secrets d'affaires ou de fabrication dont il a eu connaissance par suite de sa situation, sera puni d'un emprisonnement de trois mois à trois ans et d'une amende de 251 euros à 12.500 euros.

Il en est de même de celui qui ayant eu connaissance des secrets d'affaires ou de fabrication appartenant à une personne, soit par l'intermédiaire d'un employé, ouvrier ou apprenti agissant en violation des prescriptions de l'alinéa qui précède, soit par acte contraire à la loi ou aux bonnes moeurs, utilise ces secrets ou les divulgue, soit dans un but de concurrence, soit dans l'intention de nuire à celui à qui ils appartiennent, soit pour se procurer un avantage illicite.

Est passible de la même peine celui qui, dans un but de concurrence, soit dans l'intention de nuire à celui à qui ils appartiennent, soit pour se procurer un avantage illicite, utilise sans en avoir le droit ou communique à autrui des modèles, dessins ou patrons qui lui ont été confiés pour l'exécution de commandes commerciales ou industrielles.

Les tribunaux peuvent ordonner, en cas de condamnation, l'affichage ou la publication par la voie des journaux de la décision, aux frais de la personne qu'ils désignent. »

(Free translation: "Whoever, being or having been employee, worker or apprentice to a commercial or industrial company, with the intent to compete with or harm his employer, or to obtain an improper advantage, uses or discloses during the term of his contract or within two years after its expiration, trade or fabrication secrets of which he has knowledge by reason of its position, shall be punished with imprisonment from three months to three years and a fine of 251 euros to 12,500 euros.

The same applies to the one who, having the knowledge of trade or fabrication secrets belonging to a person, being through an employee, apprentice or worker acting in violation of the requirements of the preceding paragraph, or by an act contrary to law or morality, uses or discloses the secret, either for the purpose of competition or with intent to harm the person to whom they belong, or to obtain an improper advantage.

Is liable to the same penalty, the one who, for the purpose of competition or with intent to harm the person to whom they belong, or to obtain an improper advantage, uses it without having the right or communicates to others models, designs or patterns that have been given to him to carry out commercial or industrial orders.

The courts may order, in case of a conviction, display or publication through newspapers of the decision, at the expense of the person they designate.”)

iii) Article 1382 of the Civil code provides that:

« Tout fait quelconque de l’homme, qui cause à autrui un dommage, oblige celui par la faute duquel il est arrivé, à le réparer. »

(Free translation: “Any act of man that causes damage to another obliges the man by whose fault it happened to repair it.”)

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

- i) unfair competition law
- ii) criminal law
- iii) tort law

The definition generally acknowledged as the most important in Luxembourg has been described under point 2 above.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Trade secrets are not protected as an intellectual property right in Luxembourg. The law of 22 May 2009, implementing the directive 2004/48/CE does not protect trade secrets.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

The definition of trade secrets is very broad. Case law considers that facts known only to a limited circle of people who have an interest in keeping them secret, who are related to a commercial or industrial enterprise and whose disclosure is likely to cause damages to the person they relate to, can be considered as trade secrets.

Manufacturing technology, commercial know how, price or customer lists and customer information are considered to be trade secrets.

The courts do in principle not treat them differently as long as they are indeed secret, i.e. known only to a limited circle of people and not already known by others.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

As stated under question 1 above, there is no law on trade secrets as such in Luxembourg and there are currently no specific proposals for new legislation.

A common European legislation for the definition and effective protection of trade secrets would therefore be very positive for Luxembourg. Since there is no legislation as such, the implementation would normally not entail significant changes in the existing legislation and hence be quite easy and straightforward.

Strengthening the protection of trade secrets in a uniform manner in the EU would create legal certainty as to trade secrets and hence enhance the attractiveness and competitiveness of the EU.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Case law based on unfair competition:

Cour d'appel de Luxembourg, 15 octobre 2003, n° 27824 du rôle ; information relating to the commercial organisation of a company and which is difficultly accessible to third parties are covered are considered as trade secrets; the one who tries to take away the customers from a competitor by using information received from employees of that competitor who are bound by these trade secrets, commits an unfair competition act. The claimant must prove that the information was secret, that is not easily accessible and known by third parties.

Case law based on the criminal offence of breach of trade secret will be developed in questionnaire B.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

There is no literature concerning trade secrets in Luxembourg.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

The applicant has to prove the existence of a trade secret as well as evidence of the infringement, which is not an easy task in practice.

According to case law, facts known only to a limited circle of people who have an interest in keeping them secret, who are related to a commercial or industrial enterprise and whose disclosure is likely to cause damages to the person they relate to, can be considered as a trade secrets.

Infringement evidence accepted by courts is, among others, emails, letters, written testimonies and expert statements.

2. What civil remedies are made available? Are the remedies cumulative?

According to the provisions of the unfair competition law of 30 July 2002 mentioned above, the President of the Commercial Court is competent and can grant a permanent injunction on the merits. However, he cannot grant damages or compensation. The claim for damages has to be brought before the District Court and based on tort law.

Non-compliance with an injunction is considered a criminal offence. (article 25 of the law of 30 July 2002)

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

Ex-parte measures concerning trade secrets should in theory be available on the basis of Article 350 of the New Code of civil procedure for civil proceedings (sort of interim injunction to obtain evidence before proceedings are started which can in very special cases be obtained ex parte).

There is however no case law on this point.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

An expedite action on the merits is provided by the law of 30 July 2002 on unfair competition. (cf. point 3.a) I above)

An injunction may be issued by the President of the District Tribunal on the basis of a provision of the New Code of civil procedure which generally forbids unlawful interference with a person's rights.<sup>102</sup> Unlawful interference is defined as being a manifestly illegal and intolerable damage to a certain and clear right of others through acts materially posed by the alleged infringer in order to usurp that right or to do justice to himself.<sup>103</sup> Thus, the infringement of the trade secret will have to be very clear-cut. The defendant will be ordered to cease and desist from actions alleged to be in breach of the claimant's rights but a judge who would rule the case on the merits would not be bound by this decision.

We are not aware of a case that was based on this provision rather than the unfair competition law.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

The injunctions mentioned above are not time limited and do not have to be confirmed through an ordinary proceeding.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

Interim relief can be obtained in one to two months. The costs depend on the quantity of work and the difficulty of the case but should be around 5.000 to 7.000 €.

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<sup>102</sup> Art 933; "référé voie de fait"

<sup>103</sup> Luxembourg Court of Appeal, 8 February 2000, Pasicrisie Luxembourgeoise, [2000] Tome 31, page 352.

(d) Are cases involving technical trade secrets heard by specialist judges?

No.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

Since trade secrets are not protected by specific legal provisions, there is also no legal framework concerning the protection of the secrecy of information before and during the proceedings.

Because the plaintiff must establish both the existence and the infringement of the trade secret, he must indeed prove his claims and may have to file documents to prove it.

Hearings are normally public. Article 185 of the New civil code of procedure provides that hearings are public except where the law provides that they should be secret. The court may also order that the hearing will be held in a closed room if the public discussion of the case could cause a scandal or cause serious inconveniences. To our knowledge, the court has never ordered the exclusion of the public in a commercial case.

It can however be pointed out that in practice, expedite actions on the merits in unfair competition cases are normally not held during the official hearings of the court and heard separately, therefore without any public being present.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

There are very few trade secret actions that are heard by the civil courts each year.

Almost all the cases relate to commercial information.

As stated in question 1 above, proving the existence of a trade secret as well as evidence of the infringement is not an easy task in practice. For example, concerning secret commercial information, the plaintiff must prove that the information was obtained illegally through employees who were bound by the trade secret.

Although it is difficult to give figures, one can say that less than 50 per cent of the cases have a positive outcome for the plaintiff.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

See point f) above.

5. What defences are available to the defendant in a trade secrets action?

The defendant may in the first place contest that it is a trade secret; a clear definition of the notion of trade secrets is therefore quite important.

Secondly, the defendant may contest the actual infringement of the trade secret which is indeed quite difficult to prove. The claimant must indeed prove that the trade secret has been obtained through persons who were bound by it.

Concerning manufacturing technology, the defendant may argue that he developed the technology independently. Here again, the proof of the trade secret infringement will be essential, for example via testimonies explaining how the information theft has occurred.

In this respect, one also has to mention one case where the judge decided that manufacturing secrets relate to industrial protection and are therefore excluded from unfair competition law.

Cf. Tribunal d'arrondissement de Luxembourg siégeant en matière de concurrence déloyale, 29 janvier 1981.  
(In English: District Court of Luxembourg sitting in unfair competition law matters, 29 January 1981)

The judge seemed to imply that since the manufacturing secret was patentable, there could be no protection by unfair competition law.

This decision is in our opinion wrong and isolated but this argument could in any case be used as a defence.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

There are no specific criteria to determine whether protection is granted to trade secrets or not.

The trade secrets owner must, as stated above, prove that the information relates to the company and is known only to a limited circle of persons. Concerning customer lists for example, the courts have in some cases decided that they cannot be considered as trade secrets if the information they contain is accessible in business directories.

Secondly, the trade secrets owner must prove a likelihood of damage in case of disclosure of such information.

The damage will normally consist in a risk of confusion between the competitors or the unfair advantage the defendant would take by using the trade secret.

7. As to award of damages:

(a) What are the available options?

In expedite actions on the merits based on unfair competition law, the judge cannot grant damages but can only order the defendant to cease and desist from pursuing the unfair competition act.

In case of an action based on tort law, damages could of course be awarded but the proof will be very difficult.

(b) What are the criteria to determine and calculate damages?



The principle in tort law is that only the actual damage can be recovered, and this is very difficult to prove.

The plaintiff will for example have to prove an actual loss of clients as well as an estimation of the value of this loss.

(c) Are punitive damages available for breach of trade secrets?

No.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

Since there is very little case law, we could not find any decisions based on tort law and granting damages to the plaintiff.

The judge sitting in expedite actions on the merits cannot grant damages.

In any case, the court would most probably grant a lump sum, evaluated *ex aequo et bono*.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

There is no legislation on trade secrets in Luxembourg and hence no such distinctions.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? No

and/or

(b) A person who autonomously developed the same information? No

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- While the employee is still employed?

Every employee is bound by an obligation of loyalty and fidelity towards his employer which forbids him to work for a competitor or his own business at the same time.

This obligation of loyalty is derived from article 1134 of the Civil code which provides that contracts must be executed in good faith.

Therefore, even if nothing is provided in the employment contract, the employee cannot misuse or disclose its trade secrets.

However, to be sure and create maximum legal security, the employer should insert a non-disclosure clause in the employment contract.

- Once the employee has left his employment?

The obligation of loyalty mentioned above only exists during the course of the contract.

The employer should therefore add a non-competition clause to the employment contract which will be effective also after the end of the contract.

However, article L-125-8 of the Employment code sets a couple of conditions for the validity of such clauses, mainly that it must be limited both in time and in space, depending on the activity of the employer.

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Non-disclosure clause: *"As well during the contract as after its termination, the employee agrees to not disclose to unauthorized persons, or use for his own benefit or that of a third party, any confidential information concerning the activities of the employer. The term "confidential information" includes but is not limited to:*

*- projects, formulas, specifications, books, software, manuals, daily reports, minutes of meetings, trade secrets, work instructions given orally or in writing concerning business methods, techniques or equipment of the company, the parent company, its subsidiaries or branches;*

*- the identity of customers of the company, the parent company, subsidiaries or branches and any other information relevant to these customers."*

Non-competition clause:

*"1. The employee agrees to devote all his skills and knowledge and all his professional activity in the exclusive service of the employer. During the contract period, the employee is prohibited to exercise, directly or indirectly, a job, albeit unpaid, for another company or for its own account without the prior written consent of the employer.*

*2. The employee shall not, for the time following his departure from the company, exercise similar activities, so as not to prejudice the interests of the employer by operating his own company. This prohibition is limited to the professional sector of the employer as well as to similar activities, and for a period of two years commencing on the date of termination of this Agreement.*

*3. This non-competition clause will be applicable on the territory of Luxembourg.*

*4. In case of violation of this clause not to compete by the employee, the employer shall be entitled to an award of [3] months' pay without prejudice to the right of the employer to claim additional damages.*

*5. The employee also confirms not to be bound by a non-competition clause by one or more former employers."*

These clauses are generally enforceable provided they meet the validity conditions described above.

Concerning non-disclosure clauses, it is however in practice quite difficult to prove the actual breach of such clause.

One must also be aware that non-competition clauses only apply to situations where the former employee becomes himself a competitor of the former employer, not if he is only employed by a competitor.

Finally, the courts do normally not distinguish between 'real' trade secrets and confidential information.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

Civil proceedings, especially the expedite action on the merits based on unfair competition law are much quicker than criminal proceedings.

Moreover, since proceedings are initiated and directed by the plaintiff, he has much more influence on the case than in criminal proceedings where the Public prosecutor takes the decision as to how the case is handled.

One can add that since in trade secret cases, the public interest is not at stake but only private interests, the Public prosecutor may not be too keen on pursuing the case.

On the con-side, one can mention that since in civil proceedings the plaintiff, i.e. his lawyer does the work, it entails that the cost of these proceedings will be higher.

Finally, one could add that criminal proceedings may be more dissuasive and 'frighten' the defendant because of the criminal sanctions that may be ordered, including imprisonment.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

Companies do indeed use non-competition and non-disclosure clauses in their employment and license contracts.

These solutions are generally enforceable but, as already mentioned above, the actual proof of the breach of such clauses may be difficult.

13. With regards to non disclosure and non use agreements:

- Are they effective and enforceable in your jurisdiction?

Yes. See question 12 above.

- If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Prevailing enforcement will be provided by both competition law and/ or contract law.

The courts have a very strict view of unfair competition law in Luxembourg. Indeed, the plaintiff and defendant must be competitors. For example, a producer will not be able to sue a licensor on the basis of the law of unfair competition of 30 July 2002 because they will not be seen as strict competitors.

In such cases enforcement will be provided by contract and/or tort law.

- Does the US doctrine of inevitable disclosure exist in your jurisdiction?

No.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

(a) Place where trade secrets are created/conceived, and/or

(b) Place where misappropriation of trade secrets takes place, and/or

(c) Place where unlawful use of trade secrets takes place, and/or

(d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

The first rule and general principle to refer to in Luxembourg is that the jurisdiction of the domicile of the defendant is in principle competent to hear the case.

If the defendant is domiciled in Luxembourg, the courts will have jurisdiction wherever the trade secrets were conceived, misappropriated or unlawfully used.

Unfair competition law is in fact based on the principles of tort law. Therefore, according to article 5.3 of EC Regulation 44/2001 and article 42 of the New Code of civil procedure, the place where the unfair competition act was committed has jurisdiction.

If the action is based on contract law, articles 5.1 of EC Regulation 44/2001 and article 28 of the New Code of civil procedure apply. According to these provisions, the place where the obligation must be executed has jurisdiction. In practice this will be the place where the breach of contract occurred, that is where the information was used.

- a) If Luxembourg is only the place where the trade secrets were created, litigation cannot be started here.
- b) In this case, one must determine whether the actual misappropriation is already an unfair competition act or not. We have no case law on this question but doubt that it would be sufficient to have jurisdiction in Luxembourg.
- c) The place where the unlawful use of the trade secrets takes place will normally be the place where the unfair competition act was committed. Litigation could hence be started in Luxembourg if the trade secret was used here.
- d) The fact that the parties are domiciled in a foreign jurisdiction does not matter if Luxembourg courts are competent according to article 5.3 or 5.1 of EC Regulation 44/2001 or corresponding provisions of the Civil code mentioned above.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

If the foreign judgment has been delivered by a jurisdiction of a Member State, it will always be recognized as enforceable in Luxembourg.

If the foreign judgment has been delivered by a non-EU jurisdiction, the judgment will be recognized in Luxembourg if it is not contrary to the public order. A stronger trade secrets protection will not be regarded as a being contrary to the public order and these judgments will therefore also be recognized as enforceable in Luxembourg.

The merits of the judgment will not be analysed.

## Malta

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

No it does not.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

In the light of the answer in Question 1, this clause is not applicable.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

We are of the opinion that the provisions in the Maltese Civil Code on Fiduciary Obligations ("Of Fiduciary Obligations" – Book Second, Part II, Title IV, Sub-Title VII of Cap. 16 of the Laws of Malta) are the most pertinent provisions applicable in terms of Maltese Law, that may be relied upon in order to secure protection against infringement of trade secrets.

Article 1124A holds:

*"(1) Fiduciary obligations arise in virtue of law, contract, quasi-contract, trusts, assumption of office or behaviour whenever a person (the "fiduciary") –*

- (a) owes a duty to protect the interests of another person; or*
- (b) holds, exercises control or powers of disposition over property for the benefit of other persons, including when he is vested with ownership of such property for such purpose; or*
- (c) receives information from another person subject to a duty of confidentiality and such person is aware or ought, in the circumstances, reasonably to have been aware, that the use of such information is intended to be restricted.*

*(2) A person who is delegated any function by a fiduciary and is aware, or should, from the circumstances, be aware, of the fiduciary obligations shall also be treated to be subject to fiduciary obligations."*

*(3) Fiduciary obligations arise from behaviour when a person –*

- (a) without being entitled, appropriates or makes use of property or information belonging to another, whether for his benefit or otherwise; or*
- (b) being a third party, acts, being aware, or where he reasonably ought to be aware from the circumstances, of the breach of fiduciary obligations by a fiduciary,*

*and receives or otherwise acquires property or makes other gains from or through the acts of the fiduciary.*

*(4) Without prejudice to the duty of a fiduciary to carry out his obligations with utmost good faith and to act honestly in all cases, a fiduciary is bound, subject to express provision of law or express terms of any instrument in writing excluding or modifying such duty, as the case may be –*

- (a) to exercise the diligence of a bonus pater familias in the performance of his obligations;*
- (b) to avoid any conflict of interest;*
- (c) not to receive undisclosed or unauthorised profit from his position or functions;*
- (d) to act impartially when the fiduciary duties are owed to more than one person;*
- (e) to keep any property as may be acquired or held as a fiduciary segregated from his personal property and that of other persons towards whom he may have similar obligations;*
- (f) to maintain suitable records in writing of the interest of the person to whom such fiduciary obligations are owed;*
- (g) to render account in relation to the property subject to such fiduciary obligations; and*
- (h) to return on demand any property held under fiduciary obligations to the person lawfully entitled thereto or as instructed by him or as otherwise required by applicable law.*

*(5) In addition to any other remedy available under law, a person subject to a fiduciary obligation who acts in breach of such obligation shall be bound to return any property together with all other benefits derived by him, whether directly or indirectly, to the person to whom the duty is owed.*

*(6) The obligation to return property derived from a breach of a fiduciary duty shall apply also to all property into which the original property has been converted or for which it has been substituted.”*

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

In the light of that stated in reply to Question 3,(a) we are of the opinion that within the local context, protection may be sought under Civil Law both in terms of the express provisions quoted above from the Civil Code, as well as general principles of Civil Law relating to the law of contract. This latter protection may also be relied upon in the event of express provisions in respect of the protection of trade secrets being inserted in , for example, employment or non-disclosure agreements. As previously stated, there is no express definition of trade secrets in terms of Maltese Law.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

No they are not and, to date, there are no local judgments that have, either directly or indirectly, held them so to be.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

As stated above, trade secrets *per se* are not recognized or protected in Malta.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

To begin with, the law needs to provide for express statutory recognition in respect of trade secrets. We feel that they should come to be protected as an intellectual property right and, accordingly, relative provisions to this effect should, in the first place, be introduced in the Maltese Commercial Code (Cap. 13 of the Laws of Malta). We are also of the opinion that the Patents and Designs Act (Cap. 417 of the Laws of Malta) should also address the issue of trade secrets, and provide for the protection of trade secrets during the course of application and registration process of the patent, until such time as the patent has been granted.

We are of the opinion that a European harmonized and common legislation for the definition and effective protection of trade secrets is both feasible and positive, even if providing for the minimum standards on which national legislation could, subsequently, be based. From the research we have carried out, it does not appear that there are any proposals, both short and long term, locally to provide for specific legislation for the protection of trade secrets.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

As stated in the answer to Question 4 there is, to date, no local case law on the matter.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

There are none.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

In the absence of ad hoc legislation for the protection of trade secrets, there are no pre-established elements which need to subsist in order for one to be able to initiate legal proceedings. Accordingly, the necessary elements would depend on the particular proceedings one decides to commence which, given the present legislative framework, would almost invariably be based on breach of contract.

2. What civil remedies are made available? Are the remedies cumulative?

The remedies would, in the first place, be based on that requested in the proceedings, and these could very well be cumulative in nature. In terms of applicable Civil Law, these could take the form of pecuniary damages, as well as specific performance.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

No, Civil Law would not afford such remedies, which are available only in respect of the Executive Police, and in terms of the relative provisions under Criminal Law.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

- (a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?
- (b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?
- (c) What is the average duration and cost of proceedings from initiating the claim to final judgment?
- (d) Are cases involving technical trade secrets heard by specialist judges?
- (e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?
- (f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?
- (g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

As previously stated to date, there have been no judgments that have dealt specifically with the enforcement of trade secrets protection here in Malta and, therefore, one cannot opine on any past experiences in this regard.

Based, however, on our experience on enforcement proceedings in the realm of IP, we can surmise on the particular issues one would expect to encounter locally:

- (a) Interim Relief – in the absence of any concrete results following a cease and desist letter, Maltese Law provides for a precautionary remedy which is known as a 'warrant of prohibitory injunction'. This is a preventive course of action, similar to seeking an interlocutory decree. It is filed in court and the court will, after analyzing the evidence on a *prima facie* basis, be requested to order a party to refrain from doing something. Such action may be brought before the courts without filing a suit on the merits, and since the standard of proof is a *prima facie* one, proceedings in such actions are summary. If adjudged in favour of the plaintiff, it must be followed by a suit on the merits, unless the matter is settled between the parties before the lapse of a pre-established period of time from the filing of the warrant (10 days);
- (b) If that requested in a warrant of prohibitory injunction is upheld by the court, the effects of the interlocutory decree would remain in force throughout the duration of the proceedings on the merits and, as a result, that requested in respect of the defendant would be prohibited in the interim;



- (c) Duration & Costs – (i) as to the warrant of prohibitory injunction, all-inclusive costs would be in the region of €1,000 - €1,200. The time frame for a hearing is within 30 days from filing and this is statutorily laid down; (ii) as to proceedings on the merits at first instance, all-inclusive costs would be in the region of €2,500 - €3,000. There is no pre-established time frame for appointing the case for hearing, though this is habitually within 5-6 months from filing, with judgment within a period of 2 – 4 years; (iii) as to appellate proceedings, all-inclusive costs would be in the region of €3,500 - €5,000. There is no pre-established time frame for appointing the case for hearing, though this is habitually within 2 years from filing, with judgment within a period of 2 years;
- (d) There are no specialist judges in Malta and all are generalists;
- (e) Civil proceedings rarely tend to be heard behind closed doors. The plaintiff would have to prove his claims in whatever manner he deems appropriate; ie. submission of documents, summoning of witnesses etc., with the evidentiary burden in civil proceedings being based on a balance of probabilities;
- (f) As previously stated no trade secret actions have, to date, been filed in Malta;

5. What defences are available to the defendant in a trade secrets action?

Whatever he considers appropriate and is admissible as evidence in terms of the law relating to Civil Procedure in the Code of Organisation and Civil Procedure (Cap. 12 of the Laws of Malta)

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

As previously stated to date, there have been no judgments that have dealt specifically with the enforcement of trade secrets protection here in Malta and, therefore, one cannot opine on this matter.

7. As to award of damages:

- (a) What are the available options?
  - (b) What are the criteria to determine and calculate damages?
  - (c) Are punitive damages available for breach of trade secrets?
  - (d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?
- (a) Maltese law requires that damages be materially proven. Accordingly, damages may either be liquidated by the court in accordance with material evidence that proves a material loss (for instance, an invoice for stock that was damaged or destroyed); or where such evidence is not available, the Court enjoys discretion to liquidate a corresponding sum of damages '*arbitro boni viri*'. Typically, Maltese courts will only adopt this second option in extremis. Where evidence of a loss has not been produced, it is reasonable to expect that the Court will not in fact award any damages for that loss.
  - (b) Damages arising from personal injuries are calculated according to a formula (originally laid out in the 1960's in a judgement pronounced by the Superior Court of

Appeal), which factors the person's disability as a percentage rating (where death is equal to a 100% loss), the person's wage at the time of the accident, and the person's remaining working years until pensionable age. All other damages are calculated along the strict method described above, which requires one to prove a loss by means of material evidence.

Moral damages are not recognised by Maltese law, with the exception of libel and slander, where a maximum sum of €11,646 may be awarded as compensation to the victim.

- (c) Maltese law is silent on this point, though practice in claims of a comparable nature has typically followed the rule that the party claiming a breach must prove a loss arising from such breach in order to successfully be awarded damages.

Very recent judgements by Maltese courts continue to confirm the principle that even in, for instance, the breach of banking confidentiality rules, the alleged victim must successfully prove that he/she incurred a material loss resulting directly from that breach – in default of which, the courts have refused to liquidate and award any damages.

- (d) As highlighted above, the sums of damages awarded must correspond with the loss suffered. Where no loss can be proven, then no damages are awarded. Typically, however, damages awarded in injury claims have ranged between a few thousand Euro to € 225,000, while awards in respect of contractual damages have rarely exceeded the € 100,000 mark.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

As stated above, trade secrets *per se* are not recognized or protected in Malta.

9. Are the remedies identified for your jurisdiction also enforceable against:

- (a) A person who obtains trade secrets in good faith? and/or
- (b) A person who autonomously developed the same information?

As stated above, trade secrets *per se* are not recognized or protected in Malta.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- While the employee is still employed?
- Once the employee has left his employment?
- Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

- (a) The employer may, and generally does so, bind the employee contractually, by providing a general obligation and undertaking on the part of the employee, not to divulge any confidential information relating to the employer or its business, during and after the course of his employment. Since trade secrets are not expressly protected locally, the term 'confidential information' could, to a certain extent, provide the employer with safeguards also vis a vis trade secrets.

- (b) As stated above, the undertaking referred to in (a) could be extended to bind the employee even after he has left his employment (see model contractual clause below at (c).
- (c) In the absence of specific protection being afforded to trade secrets, clauses similar to the below are often inserted in contracts of employment/service by employers, in order to address the scenarios highlighted in (a) and (b) above. We know of no case where the courts have expressly distinguished between trade secrets proper and general confidential information. It must be stated, however, that in their pronouncements the courts tend to rule in favour of the employees in employer/employee issues.

*"CONFIDENTIAL INFORMATION*

*The Employee agrees without any limitation in time, to maintain the strictest confidentiality with respect to the services and duties performed for the Company. The Employee is not to use except for the benefit of the Company, or to disclose to any person, or entity without the written authorization of the Company, any information which may come to his knowledge during the course of his employment or otherwise acquired through the Company. This obligation will subsist even when the Employee ceases to be in the employment of the Company.*

*For the purposes of this provision, "Confidential information", means any information – technical, commercial or of any other nature – of the Company or of its customers, suppliers, licensors, licensees, partners or collaborators, regardless of whether or not the information is documented.*

*Upon termination of the Employee's employment, regardless of cause, the Employee shall immediately return all documents and identification papers of any kind that are in his possession and belong to the Company. This applies to all documents and computer data, originals and copies.*

*The Employee agrees that his unauthorised use or disclosure of such confidential information during his employment may lead to disciplinary action, up to and including immediate termination without any notice or duty to pay further salaries, benefits and/or allowances, as well as legal action by the Company, including the right to claim the full amount of damages that may be sustained by the Company, directly or indirectly, as a result of such use or disclosure."*

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

Opting for a civil remedy may result in the payment of damages, which would not be obtainable under criminal remedies. Civil proceedings, however, tend to be lengthy with decisions often arriving too late in the day to remedy matters, particularly in issues as trade secrets.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

Companies tend to protect themselves vis a vis their employees in the manner outlined in the reply to Question 10 (above), while vis a vis third parties, in the context of exchange of information, through the entering into of non-disclosure and confidentiality agreements. With regard to enforceability, we know of no case where the matter has been expressly tried and tested before a local court.

13. With regards to non disclosure and non use agreements:

- Are they effective and enforceable in your jurisdiction?
  - If so, is prevailing enforcement provided by contract law, unfair competition law, other?
  - Does the US doctrine of inevitable disclosure exist in your jurisdiction?
- They would, ostensibly, be enforceable as between the parties as a matter of contract law
- Contract Law
- No

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) The parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

The foregoing would not apply locally.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

A foreign judgement is enforceable and executable in Malta:

- If it is a judgement pronounced by a competent court or tribunal in any other EU member state, then this is enforced according to the provisions of EU Regulation EC 44/2001, and subject to the rules of procedure laid out therein. In such cases, the only reason for not rendering such a judgement enforceable in Malta would be due to a defect of procedure, and not to a question of content or subject-matter.
- If it is a judgement pronounced by a competent court or tribunal in any non-EU state, then this is enforced according to the rules contained in Code of Organisation and Civil Procedure (Cap. 12 of the Laws of Malta) which lay down that any person seeking to enforce such a judgement in Malta must provide evidence of its authenticity and of the competence of the court/tribunal that so delivered it; and such judgement cannot run contrary to Maltese public policy. This may create problems with, typically, the calculation of interests because Maltese law stipulates that interests cannot run at a rate higher than 8% per annum on any capital amount, unless the debtor has agreed otherwise.

## The Netherlands

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

There are no specific provisions on the protection of trade secrets under Dutch law.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

The definitions that have proven to be of (practical) influence are Art. 1(i) of the Commission Regulation 772/2004 on the application of Article 81(3) EC Treaty to categories of technology transfer agreements ("TTBER", OJ 2004. L123/11) and Article 39(2) of the TRIPS Agreement (*Tractatenblad* 1994,235, p. 337).<sup>104</sup>

Art. 1(i) TTBER:

"know-how" means a package of non-patented practical information, resulting from experience and testing, which is:

- (i) secret, that is to say, not generally known or easily accessible;
- (ii) substantial, that is to say, significant and useful for the production of the contract products; and
- (iii) identified, that is to say, described in a sufficiently comprehensive manner so as to make it possible to verify that it fulfils the criteria of secrecy and substantiality.

Art. 39(2) TRIPS:

Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information:

- (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- (b) has commercial value because it is secret; and
- (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

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<sup>104</sup> AIPPI Working Committee (the Netherlands), Protection of trade secrets through IPR and unfair competition law (Question Q215), 15 March 2010, p. 3.

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

### Civil law

In the Netherlands, the protection of trade secrets can be based on the general principle of tort: "*onrechtmatige daad*" (unlawful act), which is set out in Article 6:162 Dutch Civil Code ("DCC"). The Dutch Supreme Court ("*Hoge Raad*") decided in 1919 that the general provision on tort law can be used to combat unfair competitive practices. In the relevant case, the Supreme Court decided that bribing the employee of a competitor to obtain secret information qualifies as a tort (*HR 31 januari 1919 (Lindenbaum/Cohen), NJ 1919, 161*).

### Criminal Law

The breach/disclosure of trade secrets is a felony under criminal law, as set out in Articles 272 and 273 of Dutch Penal Code ("DPC"). Article 272 DPC relates to the disclosure by persons appointed in a certain office or having a certain capacity e.g. an attorney disclosing confidential client information or a government inspector who has access to a factory floor for an environmental inspection. Article 273 DPC relates to the intentional disclosure by an employee of confidential details, to which he has sworn secrecy, that are not generally known and that may harm the company he works or worked for. In addition, Article 273 relates to the disclosure of confidential information that is obtained from the computer system of a commercial organisation through criminal means. Using this information for financial gain also qualifies as a crime under Dutch law.

### Labour law

In addition to the provisions above, the disclosure of trade secrets could also constitute a ground for immediate dismissal of an employee, as set out in Article 678 (2)(i) of Book 7 Dutch Civil Code.

### Civil law

#### *Article 6:162 Dutch Civil Code:*

1. A person who commits a tort against another which is attributable to him must repair the damage suffered by the other in consequence thereof.
2. Except where there are grounds for justification, the following are deemed tortious: the violation of a right and an act or omission breaching a duty imposed by law or a rule of unwritten law pertaining to proper social conduct.
3. A tortfeasor is responsible for the commission of a tort if it is due to his fault or to a cause for which he is accountable by law or pursuant to generally accepted principles.

#### *Artikel 6:162 Burgerlijk Wetboek:*

1. Hij die jegens een ander een onrechtmatige daad pleegt, welke hem kan worden toegerekend, is verplicht de schade die de ander dientengevolge lijdt, te vergoeden.

2. Als onrechtmatige daad worden aangemerkt een inbreuk op een recht en een doen of nalaten in strijd met een wettelijke plicht of met hetgeen volgens ongeschreven recht in het maatschappelijk verkeer betaamt, een en ander behoudens de aanwezigheid van een rechtvaardigingsgrond.

3. Een onrechtmatige daad kan aan de dader worden toegerekend, indien zij te wijten is aan zijn schuld of aan een oorzaak welke krachtens de wet of de in het verkeer geldende opvattingen voor zijn rekening komt.

#### Criminal law

##### *Article 272 Dutch Penal Code:*

1. A person by whom any secret which he either knows or should reasonably suspect that he is bound to keep by reason of his office, profession or a legal requirement, or his former office or profession, is intentionally violated is liable to a term of imprisonment of not more than one year or a fine of fourth category.

2. Where the serious offense is committed against a particular person, it will be prosecuted only upon that person's complaint.

##### *Artikel 272 Wetboek van Strafrecht:*

1. Hij die enig geheim waarvan hij weet of redelijkerwijs moet vermoeden dat hij uit hoofde van ambt, beroep of wettelijk voorschrift dan wel van vroeger ambt of beroep verplicht is het te bewaren, opzettelijk schendt, wordt gestraft met gevangenisstraf van ten hoogste een jaar of geldboete van de vierde categorie.

2. Indien dit misdrijf tegen een bepaald persoon gepleegd is, wordt het slechts vervolgd op diens klacht.

##### *Article 273 Dutch Penal Code:*

1. A person who intentionally:

(1) Discloses specific information related to a commercial, industrial or service organization in which he is or has been employed, which he was bound to keep secret or

(2) Discloses, or uses for motives of pecuniary gain, data that have been obtained by means of criminal offense from a computerized device or system or a commercial, industrial or service organization, where the data, at the time of disclosure or use, were not generally known and where any disadvantage may ensue from such disclosure or use, is liable to a term of imprisonment of not more than six months or a fine of the fourth category.

2. A person who may have assumed in good faith that disclosure was in the public interest is not criminally liable.

3. Prosecution will take place only upon complaint by the organization's management.

##### *Artikel 273 Wetboek van Strafrecht:*

1 Met gevangenisstraf van ten hoogste zes maanden of geldboete van de vierde categorie wordt gestraft hij die opzettelijk

1\*. aangaande een onderneming van handel, nijverheid of dienstverlening bij welke hij werkzaam is of is geweest, bijzonderheden waarvan hem geheimhouding is opgelegd, bekend gemaakt of

2\*. gegevens die door misdrijf zijn verkregen uit een geautomatiseerd werk van een onderneming van handel, nijverheid of dienstverlening en die betrekking hebben op deze onderneming, bekend maakt of uit winstbejag gebruikt, indien deze gegevens ten tijde van de bekendmaking of het gebruik niet algemeen bekend waren en daaruit enig nadeel kan ontstaan.

2. Niet strafbaar is hij die te goeder trouw heeft kunnen aannemen dat het algemeen belang de bekendmaking vereiste.
3. Geen vervolging heeft plaats dan op klacht van het bestuur van de onderneming.

### Labour law

#### *Article 7:678(2)(i) Dutch Civil Code:*

1. For the employer, urgent reasons within the meaning of paragraph 1 of Article 677 are acts, characteristics or conduct of the employee such that the employer cannot reasonably be required to allow the contract of employment to continue.
2. Urgent reasons are deemed to exist, inter alia, if:  
(...)
  - i. he discloses particulars of the household or business of the employer which he should have kept confidential;

#### *Artikel 7:678 lid 2 Burgerlijk Wetboek:*

1. Voor de werkgever worden als dringende redenen in de zin van lid 1 van artikel 677 beschouwd zodanige daden, eigenschappen of gedragingen van de werknemer, die ten gevolge hebben dat van de werkgever redelijkerwijze niet kan gevergd worden de arbeidsovereenkomst te laten voortduren.
2. Dringende redenen zullen onder andere aanwezig geacht kunnen worden:  
(...)
  - i. wanneer hij bijzonderheden aangaande de huishouding of het bedrijf van de werkgever, die hij behoorde geheim te houden, bekendmaakt;

### Most important definition

Given that each provision covers a specific and discrete area of law, each definition is applicable to different situations. For example, in the relationship between an employee and an employer, Art. 7:678(2) Dutch Civil Code (regarding the immediate dismissal of an employee who breaches confidentiality) will be considered most important. In another situation, general tort law might be the only applicable legal tool to protect a trade secret.

However, in general, the general tort provision (Art. 6:162 Dutch Civil Code) has the broadest scope and is therefore most often used in court. Moreover, The Court of Appeal The Hague recently ruled (in *obiter dictum*) that Art. 39(2) of TRIPS can be deemed to be incorporated in the general tort provision.<sup>105</sup> This decision illustrates that, in theory, Art. 39 TRIPS, as incorporated in tort law, offer a useful and practical definition of a trade secret in Dutch trade secret proceedings.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Although Directive 2004/48/EC aims to ensure a better and effective enforcement of intellectual property rights, the Dutch implementation of the Directive does not apply to trade secrets. Trade secrets are not considered to be intellectual property and are not protected as a *sui generis* intellectual property right. Dutch law does not provide for

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<sup>105</sup> Hof 's-Gravenhage (The Hague Court of Appeals) 29 March 2011, LJM BP9490 (*GBT/Ajinomoto*).



exclusive and absolute rights of know-how (embodied in trade secrets) as opposed to intellectual property rights.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

Since trade secrets are not defined as separate objects of legal protection, Dutch law does also not recognize different "types" of trade secrets. To the extent a distinction can be made, this depends on whether the violation of a trade secret is claimed under contract law or tort law.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

In our view, Art. 39 TRIPS could be implemented either a national or a European level. Although, Article 39 will be applied by Dutch courts in practice, the current Dutch protection of trade secrets is insufficiently clear to offer robust protection for businesses. Moreover, the protection currently relies heavily on non-disclosure obligations in agreements. These obligations only bind the parties to the (confidentiality) agreement.

In absence of a contract that imposes a confidentiality obligation, the final recourse for a business would be tort law. Although tort law offers a way to claim compensation, damages tend to be lower than in intellectual property cases. Moreover, there is no clear definition of what a trade secret is. Although the rules of Art. 39 TRIPS can be deemed – according to the Court of Appeal The Hague – to be "incorporated" into Dutch tort law, this does not necessarily mean that businesses are thereby afforded the same protection.

Therefore, we conclude that Art. 39 TRIPS should be given a more "tangible place" in either national or European law.

There are currently no proposals for new legislation.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Hoge Raad (Supreme Court) 31 January 1919, NJ 1919/161 (*Lindenbaum/Cohen*): obtaining secret information by bribing an employee of a competitor constitutes a tort.

Hof 's-Gravenhage (The Hague Court of Appeals) 29 March 2011, LJN BP9490 (*GBT/Ajinomoto*): Art. 39 TRIPS is considered to be incorporated into the general tort provision of the Dutch Civil Code.

Hof Arnhem (Arnhem Court of Appeals) 14 July 1982, BIE 1983, 65 (*Vredestein/Siemes & Thijssen*): competitors may be barred from using secret trade practices of their former employers, even in the absence of a contractual obligation of non-use; such an injunction cannot include barring the former employee from using his or her personal experience and knowledge.

Hof Arnhem (Arnhem Court of Appeals) 7 July 1987, BIE 1987, 67 (*Beekman/Mulder*): creating a straight copy of a former employer's production process is not prohibited, in the absence of a non-compete or confidentiality clause (unless there are special circumstances). The employee is generally free to use the personal knowledge and experience that he acquired with his former employer to his own advantage.

Hoge Raad (Supreme Court) 27 June 1986, NJ 1987, 191 (*Holland Nautica/Decca*): in absence of an intellectual property right in a product, that (material or immaterial) product will only be protected through unfair competition if it can be regarded to be "in one line with" a product that is entitled to IP protection.

Hoge Raad (Supreme Court) 8 February 2002, BIE 2004, 27 (*EPC/GEC*): technical drawings (which in principle lack copyright protection) can be protected under the Dutch regime of pseudo-copyright (*eenvoudige geschriftenbescherming*) only to the extent that the drawings have been made available to the public; disclosure to sub-contractors under an obligation of confidentiality cannot be considered as "making available to the public".

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

AIPPI Working Committee (the Netherlands), *Protection of trade secrets through IPR and unfair competition law (Question Q215)*, 15 March 2010.

Ch. Gielen (ed.) et. al., *Concise understanding of Intellectual Property Law*, 10th ed., Deventer, 2011.

Ch. Gielen, *Protection of trade secrets (Preadvice for the Trade Law Society)*, Zwolle 1999.

P.J. van der Korst, *Trade secrets and transparency obligations (diss.)*, Deventer 2007.

Th. C.J.A. van Engelen, *Protection of achievements and unwritten rights of intellectual property (diss.)*, Zwolle 1994.

Ch. Gielen, "Protection of trade secrets: a plea for the implementation of the TRIPS Agreement", *BIE* 17 juli 2000, p. 234.

Ch. Gielen, "Better protection for trade secrets: implement Article 39 of the TRIPS Agreement!", *Dutch Jurists' Magazine* 2005-5.,

M. Schut, "Knowhow: pointers for the contracting practice and the role of Art. 39 TRIPS", *Property Law Monthly*, 2010-2, p. 15.

J.L.R.A. Huydecoper, "Knowhow and property law", *Property Law Monthly*, 2008-7/8, p. 158-162.

Huydecoper & Nispen (ed.), *Industrial Property – Part 1: Protection of technical innovation*, Deventer 2002.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

The protection of trade secrets under Dutch civil law is in general limited to those cases where either the obtaining, the use or the disclosure of the trade secret constitutes an unlawful act under Article 6:162 DCC. It is deemed unlawful if the secret information was obtained in a manner which is not in accordance with the standards of decency applicable in society. Examples of this are the use of industrial espionage, theft and the bribery of employees.

In principle, Dutch courts will use the requirements set out in Art. 39 TRIPS to determine whether societal standards of decency have been violated.

Where it concerns employment relationships, pursuant to Article 7:678, 2 sub i DCC, an employee who has revealed trade secrets regarding the business of its employer, may be terminated immediately without cause.

2. What civil remedies are made available? Are the remedies cumulative?

#### Injunctions and damages

It is possible to obtain a permanent or temporary injunction to prohibit the (further) disclosure and/or the use of trade secrets, which injunction can be made subject to a penalty. In practice, Dutch Courts are generally reluctant to award injunctions in those cases where the trade secret already has become publicly available.

The aggrieved party may also claim damages as a result of the unlawful use or disclosure of its trade secrets.

Only a temporary injunction can be claimed in preliminary relief proceedings, whereas a permanent injunction and damages can be claimed in proceedings on the merits. These remedies are cumulative, in the sense that the aggrieved party can claim (and obtain) both damages and an injunction in proceedings on the merits.

Further, any party may request a court to organise pre-judgment witness hearings (as further set out in no. 4(e) below).

#### Obtaining evidence

Dutch law, unlike US and UK law, does not enable the parties to commence a so-called discovery action. Although, Article 21 DCCP contains a general obligation for the parties to truthfully bring forward all facts relevant to the decision, it does not entail an obligation to provide full disclosure of all the relevant facts.

Although Dutch law does not provide the instrument of discovery, it does provide the option to claim that specific documents should be provided by the other party pursuant to Article 843a DCCP. This claim can be made in pending proceedings or as a separate action. The claim needs to specify what specific documents are being sought, that the documents relate to a legal relationship to which the claimant is a party and that the party has a legitimate interest in obtaining a copy.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

No. An ex parte order is in principle only available in relation to the enforcement of intellectual property rights. Although ex parte orders were granted in cases of misuse of

trade secrets and infringement of intellectual property rights, these orders were only granted because there was a (convincing) claim of IP infringement.

It should be noted that any *ex parte* order will only allow the safeguarding of evidence. For actual inspection of the evidence an additional order in *inter partes* proceedings is necessary.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

In general, a plaintiff can claim almost every kind of relief in preliminary proceedings. However, decisions in preliminary proceedings in the Netherlands are, by their nature, temporary (Art. 254 Code of Civil Procedure) and it is difficult if not impossible to claim damages in preliminary proceedings. In order to claim damages, proceedings on the merits will need to be initiated.

In advance of proceedings on the merits, parties may also seize assets of a (future) defendant, in order to secure a source of funds for damages that may potentially be awarded (Art. 700 Dutch Code of Civil Procedure).

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Some final injunctions are limited in time, while others are not. Injunction against former employees to cease and desist from utilizing skills or knowledge acquired during the employment at another company is almost always limited in time in order to protect the interests of the former employee.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

In average, preliminary injunctions (in straight-forward cases) generally take 6-8 weeks until a judgment in first instance, whereas proceedings on the merits generally take up to a year and a half before a judgment in first instance is reached. In average, the cost of preliminary injunction proceedings range from EUR 10k to 50k and the cost of proceedings on the merits range from EUR 20k to 100k (including attorney's fees).

The victorious party in an IP case can collect the actual lawyer's fees, based on Art. 1019h of the Dutch Code of Civil Procedure, however this article does not apply if the trade secret cannot rely on IP protection.

(d) Are cases involving technical trade secrets heard by specialist judges?

No.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

Dutch law does not have any procedure comparable to pre-trial discovery. However, there are procedures for obtaining non-public information before or during proceedings.

### Before proceedings

In a case involving the enforcement of IP rights, the plaintiff may seize evidence related to an infringement (Art. 1019b Dutch Code of Civil Procedure). The court can grant leave for an evidentiary seizure before the proceedings have been entered into. The court will deny such a request, however, if the protection of confidential information has not been safeguarded. Usually, this means that the court will order that the confidential information is held by a neutral party until a judge can rule on access to the evidence in regular proceedings.

It is possible to request the court for an order to obtain a copy of certain documents that are in the possession of the other party (Art. 843a Dutch Code of Civil Procedure). This procedure may be used before actual proceedings have been filed, or an Art. 843a action may be filed during pending proceedings. Similarly, witnesses may be deposed before actual proceedings are being filed or during proceedings (Art. 186 *et. seq.* Dutch Code of Civil Procedure).

### During proceedings

Proceedings (including judgments) in the Netherlands are generally public, as set out in Art. 27 of the Dutch Code of Civil Procedure. However, in case a party objects to a public hearing, because confidential information will be discussed, the court can order that the proceedings take place behind closed doors. On the basis of Art. 29 of the Dutch Code of Civil Procedure, such proceedings are then confidential; parties cannot disclose what was discussed.

In public proceedings, a party may wish to bar certain evidence from being presented in the courtroom. However, a Dutch court may order that certain evidence must be presented in court (Art. 22 of the Dutch Code of Civil Procedure). A party may refuse such an order if there are adequate reasons for doing this. Parties may also jointly decide that certain evidence will be disclosed to the court only.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

Although, there are no official numbers available on how many trade secret actions are heard each year, we estimate this to be no more than a dozen.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

Since trade secrets do not qualify as IP rights under Dutch law, the tools that are available to IP right holders are not available for holders of trade secrets. In general, it is very difficult to prove that a defendant has actually disclosed, used or applied a certain trade secret in practice.

5. What defences are available to the defendant in a trade secrets action?

There are various defenses in a trade secret action. The most common defense is that information was not secret or, at least, that the person alleged to have violated the trade secret, was not charged with an obligation of confidentiality.

A version of this defense, often used in proceedings between employers and former employees who have started their own business, is the defense that the knowledge

employed in a competing business is based on the experience of the former employee. This expertise is generally not considered a trade secret as individuals should in general be free to exercise their profession.

Another defense used is that the plaintiff did not take the appropriate measures to safeguard the secret information. This may lead to the conclusion that the plaintiff did not really consider the information as a trade secret and that the defendant, therefore, did not have an obligation to respect the confidentiality of the information.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

Although the answer to this question will depend on the specific facts of each case, in general the courts spend the most time analyzing whether a specific piece of corporate knowledge is – in fact – a secret, or whether it is a matter of common knowledge amongst insiders in the industry.

7. As to award of damages:

- (a) What are the available options?
- (b) What are the criteria to determine and calculate damages?
- (c) Are punitive damages available for breach of trade secrets?
- (d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

a) Damages are calculated in accordance with Art. 6:95 and 96 of the Dutch Civil Code and can consist of material damage, including loss of profits, loss of property, rights or interest and various costs incurred, as well as other (non-material) damages.

b) Dutch courts generally try to restore the aggrieved party to the situation before the tort occurred, or to the situation where there was no breach of contract. This still leaves a wide margin for the judge to decide what should be included in the calculation of damages.

c) Dutch law does not permit an award of punitive damages, though penalty clauses in non-disclosure agreements are enforceable.

d) We have no records on what the average quantity of awarded damages for trade secrets is in the Netherlands as the amount of damages is generally being settled between parties once a court ruled that a violation of a trade secret occurred.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Dutch law makes a distinction between breach of a contractual obligation to keep a trade secret (Art. 6:74 Dutch Civil Code) as opposed to trade secret violations resulting from a tort (Art. 6:162 Dutch Civil Code). In both cases, the aggrieved party may sue for damages that it sustained due to the trade secret violation. In the case of a contractual obligation of secrecy, such a party may also claim performance of the contract by the other party.

9. Are the remedies identified for your jurisdiction also enforceable against:

- (a) A person who obtains trade secrets in good faith? and/or

(b) A person who autonomously developed the same information?

a) In general, whether a bona fide third party is allowed to use obtained secret information mainly depends on the question which party bears the risk for the fault as a result whereof the trade secret came into wrong hands. When someone obtains a trade secret in good faith because it was sent to him by mistake (or if he obtained the information from a loose-tongued employer of a competitor) he would, in principle, be allowed to take advantage of that trade secret. Furthermore, erroneous disclosure by auxiliary persons (e.g. sub-contractors) are mainly at the risk of the party that engaged these persons.

Under Dutch criminal law, the disclosure of trade secrets is not punishable if the alleged offender could have assumed in good faith that it was in the public interest to disclose the confidential/secret information. This exception may apply in case of justifiable disclosure of trade secrets by so-called whistleblowers.<sup>106</sup>

b) No, not in relation to trade secrets which are not otherwise protected by intellectual property rights.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(bb) While the employee is still employed?

(cc) Once the employee has left his employment?

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

a) An employee may be dismissed immediately in the event that he discloses information which he learned in the context of his employment and which he should have kept secret (Art. 7:678(2)(i) Dutch Civil Code, see Question A3 above). This standard applies even if no contractual non-disclosure or confidentiality clause has been concluded.

An employment contract may also contain a non-disclosure or confidentiality clause, which may be enforced against the employee.

An employer may file a complaint with the police for a violation of Art. 272 of the Dutch Penal Code, which makes it a felony for an employee to disclose information that he was obligated to keep confidential.

b) After the employment relationship has been terminated, the former employer may file for breach of confidentiality based on the general tort provision of Art. 6:162 of the Dutch Civil Code.<sup>107</sup>

Moreover, the former employer may sue for breach of contract (Art. 6:74 Dutch Civil Code) if the former employee is still contractually bound by a confidentiality agreement that survived the termination of the employment.

Disclosure of confidential information by a former employee can still constitute a criminal offense, as set out in Art. 273 of the Dutch Penal Code.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

<sup>106</sup> AIPPI Working Committee (the Netherlands), Protection of trade secrets through IPR and unfair competition law (Question Q215), 15 March 2010, p. 7.

<sup>107</sup> Hof Arnhem (Arnhem Court of Appeals) 14 July 1982, BIE 1983, 65 (*Vredestein/Siemes & Thijssen*). See also: Hof Arnhem (Arnhem Court of Appeals) 7 July 1987, BIE 1987, 67 (*Beekman/Mulder*).

### *Damages:*

If the victim of a trade secret violation has suffered damages, civil law is the most direct course to claim compensation for such damages, regardless of whether such a claim is based on contract or tort.

In addition, a victim of a crime (such as breach of confidentiality, Art. 272 and 273 Dutch Penal Code) may also claim damages during a criminal procedure (Art. 51f Dutch Code of Criminal Procedure).

### *Injunctions:*

An advantage of a civil procedure is that the plaintiff may also claim injunctive relief. This is not something that cannot be obtained as a victim in a criminal trial.

### *Criminal Fine:*

Since the damage due to a trade secret violation may be hard to identify, filing a complaint with the police could still allow the victim of a trade secret violation to take away (some of) the financial advantage that a competitor might achieve by that violation. A violation under Art. 273 of the Dutch Penal Code is punishable by a fine of €19.500, or €78.000 in the case of a legal entity.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

Practical solutions employed in the Netherlands are non-disclosure agreements, non-use agreements and non-compete clauses. A non-legal solution to protect trade secrets that is often employed is to physically safeguard secret information or objects against disclosure.

In general, these solutions are enforceable under Dutch law.

13. With regards to non disclosure and non use agreements:

- Are they effective and enforceable in your jurisdiction?
- If so, is prevailing enforcement provided by contract law, unfair competition law, other?
- Does the US doctrine of inevitable disclosure exist in your jurisdiction?

a) Yes, in general non-disclosure and non-use agreements can be enforced. However, there are limits, for example, an employee cannot be contractually prevented in general from using his skill and experience in a new job. These contractual obligations must be limited in time, scope and/or geographically.

b) Enforcement of a non-disclosure or non-use agreement is provided by contract law.

c) As we understand the doctrine of inevitable disclosure, it is a way to prevent a former employee from working for a competitor when there is a "threatened" trade secret disclosure, but no actual proof of such disclosure having taken place.

Dutch law does not recognize this doctrine. The former employer must be able to show an actual breach of trade secrets in order to have a chance of preventing a former employee from working for a competitor.



14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

The following answers assume that there is no choice of law or forum between the parties.

a) The location where the trade secret is conceived is in principle not relevant under Dutch law, since a trade secret is not recognized as a legal object.

b) If the case is a tort action, the case may be brought before a Dutch court if the defendant resides in the Netherlands or if the tort was committed in the Netherlands.

If the case results from a breach of contract, the case may be brought before a Dutch court if the defendant resides in the Netherlands or if the obligations was – or should have been – performed in the Netherlands.

In case of an action under employment law, the case may be enforced in the place of residence of the employee, or in the (former) usual place of employment.

c) Please refer to the answers under (b).

d) In a tort action, if the tort was committed in the Netherlands or in the case of a breach of contract, if the contractual obligation was – or should have been – performed in the Netherlands. A foreign party may also be subject to the jurisdiction of Dutch courts if there are multiple defendants, and one of those defendants resides in the Netherlands.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

In accordance with Art. 33 of Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the "EEX Regulation"), the Netherlands will enforce any judgment that has been made in another Member State, without any further procedure in the Netherlands.

In other cases, the Netherlands shall recognize and enforce a judgment if an international treaty dictates that it should (Art. 985 Dutch Code of Civil Procedure). The party enforcing the foreign judgment will have to request the court to recognize the foreign judgment, before it can be executed in the Netherlands.

The Netherlands is a party to the Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters

## Poland

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Yes.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

#### (a) Unfair Competition Law

Trade secrets are defined as commercial confidential information consisting of technical, technological or organizational data or any other information having business value, which has not been disclosed to the public and with regard to which protection measures were undertaken in order to maintain their confidentiality. The legal definition of trade secrets is included in Art. 11 (4) of the Act on Counteracting Unfair Competition of 16 April 1993 (hereinafter "Unfair Competition Law"). This definition of trade secrets is generally acknowledged as most important in Polish law and is used as a point of reference when the term 'trade secrets' is used in other laws.

*Art. 11 (1) An act of unfair competition shall be a transfer, disclosure, use of third parties' information constituting a company trade secret, or the acquisition of such information from an unauthorized person, if it threatens or violates the interests of the entrepreneur.*

*(2) The provisions of section 1 shall also apply to the person who has been rendering work based on an employment contract or another legal relationship, for the period of three years from its expiration, unless the contract stipulates otherwise or there is no longer secrecy.*

*(3) The provisions of section 1 shall not apply to the person who, acting in good faith, as a result of a legal operation against payment, acquired, from an unauthorized person, information constituting a company trade secret. The court may oblige the acquirer to the appropriate remuneration for its use, nevertheless for a period not longer than the duration of secrecy.*

*(4) A company trade secret is understood to include any technical, technological, organizational information, or other information of commercial value, concerning an enterprise, undisclosed to the public, with regard to which an entrepreneur has taken necessary steps to maintain confidentiality.*

In addition to the above, there are several laws which grant protection to trade secrets in various legal contexts. Below, please see a selection of the most relevant provisions and their legal context:

#### (b) Civil Law

Under the general provisions of the Civil Code of 23 April 1964 (hereinafter "Civil Code") trade secrets are considered to be a part of the companies' goodwill (intangible assets). Although the Civil Code does not define trade secrets, it is generally acknowledged that the definition provided for in the Unfair Competition Law (described above) applies.

*Art. 55<sup>1</sup> An enterprise shall be an organized complex of material and non-material components designed for carrying on an economic activity. It shall particularly include: (...) 8) business secrets of an enterprise.*

#### (c) Employment Law

The Labour Code of 26 June 1974 (hereinafter "Employment Law") contains provisions protecting employers' trade secrets during the term of the employment contract and after its expiration. Although the Employment Law does not define trade secrets, it is generally acknowledged that the definition provided for in the Unfair Competition Law (described above) applies.

*Art. 100 § 1. An employee shall be obliged to perform his/her work conscientiously and scrupulously and shall comply with the orders of his/her superiors which apply to work, unless they are contradictory to the provisions of law or the contract of employment.*

*§ 2. An employee shall be obliged in particular:*

*4/ to respect the interests of the employing establishment, protect its property and to maintain the confidentiality of information, the disclosure of which could cause damage to the employer;*

*5/ to maintain the confidentiality provided for by separate provisions (...).*

*Art. 101<sup>1</sup> § 1. To the extent specified in a separate contract, an employee must not carry on any activity competitive towards the activities of the employer and must not work under an employment relationship or on another basis for a business entity carrying on such activities (prohibition of competition).*

*§ 2. An employer who suffers damages as a result of the employee's violation of the prohibition on competition provided for in a contract, may claim compensation for such damages from the employee on the principles specified in Chapter I section V.*

*Art. 101<sup>2</sup> § 1. The provision of Art. 101<sup>1</sup> § 1 shall also apply when an employer and an employee with access to particularly important information the disclosure of which could cause damage to the employer conclude a contract prohibiting competition after the employment relationship has ceased. Such contract shall also specify the period of prohibition of competition and the compensation due to the employee from the employer subject to the provisions of paragraph 2 and 3 below.*

#### (d) Industrial Property Law

The Industrial Property Law of 30 June 2000 (hereinafter "IP Law") also refers to trade secrets in its license contracts provisions (cited below).

*Art. 79. Unless otherwise agreed between the parties, the provisions on license contracts shall apply accordingly to contracts for the exploitation of an invention in respect of which an application for protection was filed with the Patent Office and for which no patent has yet been granted, as well as to contracts for the exploitation of an*

*invention in respect of which an application for protection has not been filed, but which is a company trade secret.*

Apart from the above, reference to trade secrets is made among others in the following regulations: Companies' Code, Public Procurement Law, Copyright and Neighboring Rights Law, Act on Competition and Consumer Protection.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

Not applicable.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Not applicable.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Trade secrets are not considered to be a separate intellectual property right under Polish laws, including those implementing Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights. The information/materials protected as trade secrets can be, however, at the same time subject to intellectual property rights' protection (e.g. as a work subject to Copyright Law protection) and/or subject to limited industrial property rights protection (e.g. as an invention, industrial design or utility model, if undisclosed).

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

The Unfair Competition Law defines trade secrets very broadly as any information having commercial value which were not disclosed to the public and with regard to which protection measures were undertaken in order to maintain their confidentiality. The Law provides for three specific examples of types of trade secrets: (i) technical information; (ii) technological information; and (iii) organizational information. This list is not exhaustive and all trade secrets are treated equally by the law irrespective of their type.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

We are generally satisfied with the level of legal protection of trade secrets in Poland. Two non-legal significant obstacles are: (i) a general lack of awareness of the importance of trade secrets' protection for an innovative economy which can be seen in the high statistics of discontinuation of criminal proceedings due to low damage to society; and (ii) lack of specialised courts able to handle trade secret related litigation in an efficient, quick and predictable manner.

Following are the proposed improvements related to inadequacies in Polish law: (i) it is extremely difficult to prove the amount of damages resulting from trade secrets' infringement; a possible improvement could be to provide a basis for calculating damages as a lump sum similarly to the Copyright Law regime (although such damages should be much higher); (ii) the scope of protection covered by the civil and criminal sanctions provided in the Unfair Competition Law are not consistent and should be reviewed; (iii) obtaining an injunction under the current regime is very difficult; a possible improvement could be to use the Copyright Law regime with more relaxed criteria for obtaining an injunction.

An interesting provision peculiar to the Polish jurisdiction which could be an interesting starting point for building up a sui generis trade secret right is contained in Art. 11 (3) of the Unfair Competition Law - a person who obtains trade secrets in good faith, under a contract and subject to remuneration, is not treated as an infringer. The court may order, though, such a person to pay an adequate sum of money for using the trade secrets for as long as they remain confidential. This rule could be further extended with a prohibition to further disclose the trade secret, which, in combination with an effective injunction system, could significantly increase the level of protection of trade secrets.

We are not aware of any current proposals for new legislation.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Case law	Relevant issues
Judgment of Supreme Court – Civil Chamber of 1938-04-22 3 K 2496/37	<i>Secrecy of information</i>  The Supreme Court in its judgment underlined that a trade secret does not lose its confidential character if it is disclosed to a limited number of persons who were either committed to discretion or were introduced to the project by the entrepreneur with an expressed or implied non-disclosure obligation, in the event no agreement is concluded. This judgment was based on the Act on Combating Unfair Competition (1926), however the principles expressed in it still stand under the current Unfair Competition Law.
Judgment of the Supreme Court - Civil Chamber of 2001-09-05 I CKN 1159/00	<i>Definition of trade secrets</i>  Information which may be accessed in a common and legal way shall not be considered a trade secret within the meaning of Art. 11 item 1 and 4 of the Unfair Competition Law.
Judgment of the Supreme Court - Civil Chamber of	<i>Obligation to keep trade secrets confidential</i>

2000-10-03 I CKN 304/00	The use by a former employee in his or her own business activity of information acquired during the employment contract, in respect of which no measures to preserve its confidentiality were undertaken, should be treated as use of general, although specialized, knowledge which does not give grounds for the former employer's statutory claims.
Judgment of the Supreme Court - Civil Chamber of 2007-02-28 V CSK 444/06	<i>Trade secret - disclosure of information</i> A trade secret is a technical, technological, organizational or any other information having commercial value which has not been disclosed to the public and towards which measures were undertaken to protect its confidentiality. The fact that the information about individual components of a device is public does not mean that the complex information about the entire device has lost its confidentiality attribute.
Judgment of the Supreme Court -Labour Chamber of 2007-01-25 I PK 207/06	<i>Prohibition of disclosure of trade secrets and non-competition clause</i> The release of former employees from the non-competition clause after the termination of the employment is not synonymous to a consent to disclose confidential information or to make any use of it, especially if it is contrary to the interests of the former employer.  Even after the termination of the employment relationship former employees are required to maintain the confidentiality of information which constitutes a trade secret (Article 11 of the Unfair Competition Law).
Judgment of the Supreme Court - Labour Chamber 2005-01-26 PK II 193/04	<i>Prohibition on disclosing trade secrets and non-competition clause</i> An agreement, in which the parties repeat the prohibition on disclosing trade secrets as defined in Art. 11 of the Unfair Competition Law, without setting any compensation for employees in consideration thereof, is not a non-competition agreement after the termination of employment (Art. 101 [2] Labour Code).

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

Reference material	Summary
E. Nowińska, M. du Vall, „A Commentary on the Act on	Comprehensive commentary on the Unfair Competition Law deals with unfair competition acts, including trade

Combating Unfair Competition" ed. 5, Warsaw 2010	secret infringement and liability.
M. Grzesiczak: "Protection of Information being a Trade Secret", Patent Attorney 2009	The article provides an overview of issues relating to trade secrets. The author discusses the definition and issues relating to infringements of trade secrets covered by Polish case law and legal doctrine. The author describes different laws applicable to the protection of trade secrets, such as the Personal Data Protection Act, Civil Code, Industrial Property Law and the Unfair Competition Law.
A. Michalak: „Tort and Contractual Protection – Substantive Law Issues“, Company Law, 2003; part I and II	The author analyzes the Polish system of trade secrets which is based on different laws. He describes the difference between trade secrets and know-how, as well as the issue of confidentiality as the main prerequisite for trade secrets' protection. Further, the author describes the contractual and tort basis of liability for the infringement of the trade secrets.
Dr M. Wach: " Trade Secret and its Protection ", European Law in Practice, 2009	The author describes possible ways to protect trade secrets and secure the interests of the employer against former employees. The article focuses in particular on differences between the trade secret protection regime and the non-competition obligation binding employees.
A. Michalak: " Protection of Business Secrets. Civil Law Issues.", Zakamycze 2006	The book is a comprehensive presentation of trade secret related issues. It describes all the available civil law measures to protect trade secrets based on the Unfair Competition Law, Civil Code, Labor Code and the Companies' Code. It analyses issues such as the protection of information during the negotiation process, confidentiality obligations of board members and shareholders. Trade secrets' protection under the European Union regulations and TRIPS are also discussed.
B. Depo, W. Trybowski: " Protection of Trade Secrets through IPR and Unfair Competition Law", AIPPI, March 2010	The paper contains a brief overview of the trade secret protection regime in Poland. It contains recommendations for further developments of trade secrets' protection, including recommendations to standardize the means of protection of a trade secret from forcible disclosure during litigation, in this respect a statutory trade secrets' definition recognized on an international level is recommended.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

In order to commence legal proceedings in Poland on the grounds of trade secrets' infringement the following, among others, must be established:



(i) the plaintiff is an entrepreneur – a natural or legal person, or an organization unit having no legal personality, carrying out economic activity;

(ii) there are no requirements as to the defendant – it can be either an entrepreneur or a non-entrepreneur (including an employee, former employee or a natural person providing services on the basis of a civil law contract);

(iii) the act involves a transfer, disclosure, use or acquisition of an entrepreneur's trade secret (see also prerequisites of trade secrets protection in Section B.6) from an unauthorized person;

(iv) the act threatens or violates the interests of the entrepreneur;

(v) the trade secret has not been acquired by the defendant in good faith on the basis of a contract and subject to payment.

2. What civil remedies are made available? Are the remedies cumulative?

Under the Unfair Competition Law the following remedies are available in case of trade secret infringement:

(i) cessation of the prohibited activities;

(ii) removal of their effects;

(iii) making one or repeated statements of appropriate content and form;

(iv) redressing the damage;

(v) handing over unjustified benefits (benefits generated by the infringer through an unauthorised transfer, disclosure, use or acquisition of the trade secret);

(vi) if the infringement was deliberate – an additional penalty taking the form of the obligation to pay an amount of money determined by the court in order to support Polish culture or protect the national heritage.

In addition, the court may decide on the destruction of the products, their packaging, advertising materials and other items directly connected with the commitment of the act of unfair competition.

The above remedies are cumulative. However, the cumulative use of remedies outlined in point (iv) and (v) cannot exceed the value of the damage incurred.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

No, in the course of civil proceedings it is not possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the defendant to provide information as to the whereabouts of documents and files containing such data.

However, it is possible to file with the court a motion requesting for the evidence to be secured. This may be done either prior to filing the statement of claim through an interim injunction motion or at any time during the litigation proceedings, if due to a risk

that the use of evidence will become impossible or impeded, there is a need for determining the actual facts. Securing evidence prior to filing the statement of claim is permissible only in urgent matters, or if the defendant cannot be identified or if the defendant's place of residence/establishment is unknown, and to the extent the claims and the legal standing of the requesting party have been proved probable.

Finally, the court may order to present a document which is in the possession of either party which constitutes crucial evidence for the case, unless such a document contains "classified" information. According to the Act on the Protection of Classified Information (2010) classified information is information the unauthorized disclosure of which would or could cause damage to Poland or would be against its interest.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

Civil courts may grant interim injunctions at any stage of the dispute, including the pre-litigation stage. An interim injunction can be granted where: (i) the claim is plausible, and (ii) the applicant establishes that no injunction will make the final judgment impossible or significantly difficult to be enforced or will make the purpose of the proceedings difficult to achieve.

Polish courts are very reluctant to grant interim injunctions. Even if they grant an injunction in the first instance, in a vast majority of cases it is cancelled by the court of second instance. It is very difficult to fulfill the test currently required by the law: "no injunction will make the final judgment impossible or significantly difficult to be enforced or will make the purpose of the proceedings difficult to achieve".

Moreover, it takes longer than the statutory 7 days to issue a decision on granting or rejecting an interim injunction. Sometimes it may take months to issue such a decision. As a result, although there are legal grounds for granting injunctions, this system does not work effectively in practice.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Interim injunctions are granted for the duration of the litigation (i.e. until the judgment is issued).

However, in the case of injunctions granted at a pre-litigation stage, the applicant has to submit a statement of claim within a period of maximum 14 days from the date on which the decision of the injunction was delivered to the applicant. If the applicant fails to meet the deadline, the order's effect will cease. This does not prevent the applicant from filing another motion for an injunction at a later stage.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

The first instance proceedings take on average from one year to one year and a half. In the second instance, the proceedings take on average one year. The duration of a case may significantly vary though, depending on different factors (amount of evidence, approach of the parties, court involved, area of law etc.). We are aware of a proceeding which is lasting for six years in the first instance and is not over yet. This is an extreme, yet possible, example.

The court fees both in the first and second instance amount to 5% of the value of the claims but not more than PLN 100,000 (approx. EUR 25,000). As to the attorney's fees they, again, depend on the complexity of the case and are usually higher in the first instance and lower in the second instance (c.a. 60%/40%) due to the time and effort spent on the evidence part of the proceeding.

(d) Are cases involving technical trade secrets heard by specialist judges?

Apart from very few exceptions, there are no specialist judges in the Polish commercial courts. Cases involving technical trade secrets would be heard by judges without any specialist knowledge. The parties may request, though, an expert opinion in the course of the proceedings and in practice judges rely very much on such opinions. It is not a good system as, in many cases, the experts are those who have a decisive influence on the final verdict.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

The court may decide, at the request of either party or upon its own discretion, to exclude the public from the whole or a part of the hearing, in order to prevent the disclosure of a trade secret during such a hearing. The exclusion of public does not affect the parties' right to access the files, which contain the confidential information.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

There is no such data available. Trade secret actions are very rare, in our experience, though.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

5. What defences are available to the defendant in a trade secrets action?

The strongest and most typical defense is based on the argument of acquiring the trade secret in good faith on the basis of a contract and subject to remuneration. Please see also Section B. 9 (a) below.

Other typical defense arguments may be the following: (i) the information is not confidential; (ii) no sufficient measures were undertaken to keep it confidential; (iii) the information has no commercial value; (iv) there is no causal link between the damages and the infringement; and/or (v) the amount of damage cannot be precisely established.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

The Polish definition of trade secrets is very broad – any information of commercial value is qualified as a trade secret. In order to be protected, it has to fulfill two other requisites: (i) secrecy; and (ii) adoption of adequate measures to protect it. All the

above three requisites are cumulative, they all have to be fulfilled. The requisites are treated equally and they are assessed on a case-by-case basis – even if the trade secret has a very high value and was extremely well protected, but was disclosed and is publicly available, it would not be subject to protection.

7. As to award of damages:

(a) What are the available options?

The plaintiff may claim redress of damages, which includes actual damages (*damnum emergens*) and lost profits (*lucrum cessans*). Please see also Section B. 2 (v) regarding the return of unjust benefits which is a cumulative remedy (up to the amount of the damages incurred).

(b) What are the criteria to determine and calculate damages?

Actual damages (*damnum emergens*) are calculated by comparing the difference in the financial status before and after the damage was incurred. Further, a causal link between the infringement and the reduction in the assets must be established. In practical terms the calculation of actual damages in the case of an unauthorized disclosure of a trade secret or another intangible damage is not relevant.

Lost profits (*lucrum cessans*) are calculated by comparing the difference in the existing financial status after the damage occurred and the hypothetical financial status, if the infringement had not happened. Proving the precise amount of lost profits is extremely difficult. Polish courts are very reluctant to award damages based on lost profits and very conservative in awarding such damages.

(c) Are punitive damages available for breach of trade secrets?

No, there are in principle no punitive damages under Polish law. Please note, however, the remedy described under Section B. 2 (vi) which is a peculiar remedy similar to punitive damages. The amounts awarded on this basis by Polish courts are rather symbolic, though.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

There are no such data available. However, our practice shows that the average amount of awarded damages in civil proceedings resulting from tort is rather low and varies between PLN 20,000 (approx. EUR 5,000) and PLN 200,000 (approx. EUR 50,000) although there were cases where damages reached the amount of PLN 800,000 (approx. EUR 200,000). In the case of breach of contract, damages awarded by the court depend on the contractual provisions and can be much higher.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Yes. Polish law does distinguish between trade secret violations resulting from breach of contract and torts. The legal regime applicable to torts is described in Section A.2 (a). A trade secret violation resulting from a contract will be also subject to the tort regime in addition to the sanctions resulting from the contract.

In practice, a carefully drafted contract is a big advantage when considering a trade secret infringement action – it usually confirms the fulfillment of the prerequisites of protection (confidentiality, measures to maintain secrecy and commercial value) and may provide useful guidance for calculating damages (contractual penalties provisions).

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

Under Art. 11 (3) of the Unfair Competition Law a person who obtains trade secrets in good faith, under a contract and subject to remuneration, is not treated as an infringer. The court may order, though, such a person to pay an adequate sum of money for using the trade secrets for as long as they remain confidential.

(b) A person who autonomously developed the same information?

A person who autonomously developed the same information is not treated as an infringer assuming that such a person did not use the information constituting another entrepreneur's trade secret for the purpose or in the course of developing its own information.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(dd) While the employee is still employed?

Protecting and maintaining the confidentiality of the employer's trade secrets falls within the employee's general duties provided for by the Employment Law. As a result, disclosing or misusing the employer's trade secrets may result in criminal and/or civil sanctions. In the latter case the damages are limited up to the value of three salaries of that employee. In addition, the employment contract may be terminated without notice

(ee) Once the employee has left his employment?

Under Art. 11 (2) of the Unfair Competition Law, a person should not transfer, disclose or use trade secrets of its previous employer for a period of three years from the expiration of either the employment contract or any other service contract, unless the contract stipulates otherwise or the trade secret is not confidential anymore. A breach of this provision may be the basis for civil and/or criminal sanctions.

In addition to the above basis, the confidentiality of the employer's trade secrets once the employee has left the company may be ensured by means of a separate contract concluded between the employer and the employee. The breach of such a contract gives a separate basis for claims (in addition to tort claims) against such a former employee.

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

An example of a clause which can be included in a contract of employment to serve as a protection while the employee is still employed (a):

*"During the term of this Agreement the Employee shall not use for his/her own purposes or those of any other person, company, business entity or other organization whatsoever, and/or disclose to any third party, any business secret, privileged information, trade secret or other confidential data or matters relating to the Employer, its affiliates or the clients, customers, or prospective customers of the Employer or any Group Company, or any person, firm, company or organisation with whom or which the Employer or a Group Company is involved in any kind of business venture or partnership."*

An example of a clause which can be included in a contract of employment to serve as a protection once the employee has left the employment (b):

*"The Parties agree that for a period of [e.g. 12] months from the day on which this Agreement is terminated the Employee shall not use for his/her own purposes or those of any other person, company, business entity or other organization whatsoever, and/or disclose to any third party, any business secret, privileged information, trade secret or other confidential data or matters relating to the Employer, its affiliates or the clients, customers, or prospective customers of the Employer or any Group Company, or any person, firm, company or organisation with whom or which the Employer or a Group Company is involved in any kind of business venture or partnership."*

The above contractual clauses are generally enforceable in Poland. There is a distinction between "real" trade secrets (confidential, subject to measures protecting confidentiality and having commercial value) and general information that happens to be confidential (which have – as we understand – only the requisite of confidentiality).

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

As administrative remedies are not available in Poland, we will compare below civil and criminal remedies. As mentioned above (see Section B. 8) , an action based on contract (which would be taken in front of a civil court) has many advantages compared to an action based solely on tort. We will assume below that the civil law action is based both on contract and tort.

Pros:

- usually quicker than criminal proceedings;
- full control of the case (possibility to settle at any time);
- better position from the evidence point of view (if contract well drafted) – confidentiality, measures to maintain secrecy, commercial value and indication as to the amount of damages;

Cons:

- less impressive for the other party (compared to criminal proceedings);
- more costly;
- difficulties in obtaining interim injunctions (compared to the greater police/prosecutor's powers in a criminal proceeding).

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

Non disclosure and/or non use agreements are widely used. These solutions are enforceable under Polish law.

13. With regards to non disclosure and non use agreements:

(ii) Are they effective and enforceable in your jurisdiction?

Yes.

(jj) If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Such agreements would be a basis for enforcement under contract law (Civil Law). In the case of trade secrets, enforcement on the basis of tort (Unfair Competition Law) would also be available. In such a case, the plaintiff would usually use both bases for enforcement, however, the contractual basis is usually stronger (see comments in Section B. 8).

(kk) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

We understand that the inevitable disclosure doctrine allows an employer to prevent his former employee to work for a new employer, if they can demonstrate a probability that their trade secrets would be used or disclosed in the course of the new employment. This doctrine is not recognized in Poland. The equivalent regime – although much more favorable to employees - is provided in Art. 101<sup>1</sup> of the Employment Law. According to this provision the employer and employee may sign a separate agreement (subject to separate remuneration) in order to prohibit the former employee's activities which are competitive with the activities of the employer. See Section A. 2 (c) above.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

(a) Place where trade secrets are created/conceived, and/or

(b) Place where misappropriation of trade secrets takes place, and/or

(c) Place where unlawful use of trade secrets takes place, and/or

(d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

An action based on a trade secret infringement could be started in Poland only if the misappropriation of the trade secret (b) and/or unlawful use of trade secrets (c) took place in Poland, irrespective of where the trade secrets were created (a) and irrespective of the domicile of the infringers (d).

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign

judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

Under Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (hereinafter "Council Regulation"), a judgment given in a Member State is recognized in the other Member States without any special procedure being required. The recognition and enforcement of judgments from a non-EU country would depend on the international agreement concluded between Poland and that third country. In case there is no such an agreement in place, the Polish Code of Civil Procedure (1964), will apply (hereinafter "Civil Procedure Code"). The Civil Procedure Code provides for the recognition and enforcement of foreign judgments on the similar basis as provided in the Council Regulation.

Foreign judgments may not be reviewed on the merits. However, a judgment will not be recognized if such a recognition is manifestly contrary to the public policy in Poland. According to the Polish case law (e.g. Decision of the Supreme Court of 7 November 2008 IV CSK 256/08 and Decision of the Supreme Court of 18 January 2002 I CKN 722/99), a judgment of a foreign court will violate the principle of legal system in Poland where its effect is incompatible with the very concept of a specific legal institution in Poland, not only with individual regulations governing in both countries the same institution, and therefore this judgment will not be recognized. In such a case, the court should examine the foreign law in terms of statutory requirements of the legal institution, reflected in the judgment of a foreign court, and on that basis enforce the foreign judgment.



## Portugal

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

In Portuguese Law, trade secrets are not protected through a specific private industrial property right, but through a specific provision that addresses the protection of trade secrets, in Article 318<sup>o</sup> of the Portuguese Industrial Property Code<sup>108</sup> (henceforth, "IPC").

This provision establishes the prohibition to unrightfully disclose, use or acquire a trade secret, a conduct that is qualified as a misdemeanor and punishable according to Article 331.<sup>o</sup> of the IPC with a fine.

From an industrial property law perspective, the protection of trade secrets is achieved through the general provision of unfair competition. As a consequence, in order to be able to rely on the prohibition of unlawful acquisition and/or use of a third party's trade secrets, a claimant has to prove the existence of the remaining elements of the provision on unfair competition, as defined by Article 317<sup>o</sup> of the IPC.

Acts of unfair competition have been categorized as acts of disorganization - i.e., acts that can affect the normal activity of a competitor, that strike at its internal organization with the objective of harming or putting at risk its goodwill. An act of competition may be defined, generically, as an act capable of conferring advantageous positions in the market. The achievement of clients is always the immediate/mediate goal.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Pursuant to the IPC, the violation of a trade secret is considered an act of unfair competition.

As was mentioned above, in Portugal, there is no specific piece of legislation dealing exclusively with unfair competition law. Unfair competition is regulated in the IPC (Articles 317<sup>o</sup> and 318<sup>o</sup> of the IPC) and it is punished, not as a crime, but as a misdemeanor (*contra-ordenação* in Portuguese).

According to Article 318<sup>o</sup> of the IPC, the disclosure, acquisition or use of trade secrets from a competitor, without its consent, constitutes an unlawful act, provided that such information:

- a) Is secret, in the sense of not being generally known or readily accessible in its entirety or in its precise configuration and assembly of its constituent elements, to persons within the circles that normally deal with the type of information in question;
- b) Has commercial value due to the fact that it is secret;

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<sup>108</sup> Industrial Property Code, approved by the Decree-Law N<sup>o</sup> 33/2003, of 5 March, republished by Decree-Law N<sup>o</sup> 143/2008, of 25 July and amended by Law no. 52/2008, of 28 August.

- c) Has been subject to a considerable effort from the person lawfully in control of information, under the circumstances, in order to keep it secret.

In that sense, the definition of a trade secret under the IP law perspective can be summarized as follows: any information that is secret in the sense of not being generally known or readily accessible in its entirety or in the precise configuration and assembly of its constituent elements, to persons within the circles that normally deal with the type of information in question; (and) have commercial value by the fact of being secret; (and) have been object of considerable efforts, under the circumstances, by the person lawfully in control of information, in order to keep them secret.

Under Article 331<sup>o</sup> of the IPC, the acquisition, use or disclosure of trade secrets, as defined in Article 318<sup>o</sup>, is subject to a fine of 3,000€ up to 30,000€, in the case of legal persons, or 750€ up to 7,500€, in the case of natural persons.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Not applicable.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

According to Portuguese Law, trade secrets are not considered intellectual property and, consequently, are not protected as intellectual property rights. However, some of the provisions that have been transposed from the Directive may be applicable to the protection of trade secret, via the protection against unfair competition.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

Portuguese Industrial Property Law does not distinguish between different types of trade secrets (Article 318<sup>o</sup>, referred to above, is the only specific provision addressing trade secrets in this regard).

Portuguese doctrine, based on the previous version of the Portuguese IPC (1995), has categorized trade secrets in two different types – which, to our knowledge, has no material impact as regards their protection by Law – and are as follows:

- i) Industrial secret is understood as a set of technical knowledge, patentable or non patentable, techniques, and formulas or innovative industry practices,

and is the most important component of the known concept of *know-how*. The *know-how* concept is defined on Regulation (EC). 240/96 of 01.31.1996, on technology transfer, as a "set of technical information which is secret, substantial and identified in any appropriate way".

- ii) The commercial secret covers knowledge applicable in the commercial sector of a company (such as management techniques, accounting, marketing, advertising, marketing, working methods, etc.).

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

To our knowledge, from an Intellectual Property perspective, the case-law on trade secrets is very limited. Please note, however, that there is no database available with the decisions taken by first instance courts and that the available decisions from superior courts represent a small percentage of all cases judged.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

Relevant literature on the subject, under IP perspective:

- Luís M. Couto Gonçalves - *Manual de Direito Industrial: Patentes, Marcas e Concorrência Desleal* [*Industrial Law Manual: Patents, Trademarks and Unfair Competition*]- p. 358 – 362 -November 2005.
- Jorge Patrício Paúl – *Concorrência Desleal e Segredos de Negócio* [*Unfair Competition and Trade Secrets*], in *Direito Industrial*, Vol. II, APDI (Associação Portuguesa de Direito Intelectual), p. 139-162- July 2002
- José de Oliveira Ascensão – *Concorrência Desleal* [*Unfair Competition*]- p. 463-479 - March 2002
- Pedro Sousa e Silva – *Direito Industrial, Noções Fundamentais* [*Industrial Law, Fundamental Notions*] – p. 324 -342- December 2011
- Carlos Olavo – *Propriedade Industrial* [*Industrial Property*] – p.248-310 – February 2005

The available literature is focused mainly in the several components of the definition of trade secrets, as mentioned above, and its relation with unfair competition.

Part of the Portuguese doctrine recognizes two different relevant juridical moments in the act of trade secret violation: the moment of the illicit appropriation (first), and the use and/or its disclosure (after).

Therefore, the acquisition of the secret is illicit if it does not result of the competitor's activity itself, nor derives from the authorization of the owner.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

There are three types of legal proceedings that can be commenced over the unauthorised use, unauthorised disclosure, misappropriation: (i) civil proceedings, (ii) criminal proceedings and (iii) administrative proceedings.

In what concerns civil liability, there are no specific legal requirements in trade secrets litigation – in order to commence proceedings, a plaintiff must establish the general legal requirements for civil liability (breach, causation, fault and harm).

As regards criminal liability, in order to give cause to criminal proceedings, the elements described on Articles 195.<sup>o</sup> and 196.<sup>o</sup> must be verified (these will be analyzed in more detail in the Criminal Law Questionnaire).

Finally, concerning administrative offences, a plaintiff must establish the legal requirements present in Article 318.<sup>o</sup> of the IPC: the confidential nature of the knowledge, its commercial value in result of the secrecy and the occurrence of considerable efforts by the holder of the secret to maintain its secrecy.

2. What civil remedies are made available? Are the remedies cumulative?

The owner of the trade secret can seek to be awarded damages, under the general provisions of civil liability of the Portuguese Civil Code.

The holder may also request interim measures in order to obtain a temporary but urgent protection to his secret, which are cumulative with the damages claim.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

In order to put an end to the risk of further consequences arising from the misuse of trade secrets, the holder is entitled to request the interim measures foreseen in the Civil Procedure Code (henceforth, "CPC"), as long as he proves the existence of danger to the content of his right and the urgency in attaining an interim decision that removes such danger.

The ability to conduct searches is an exclusive prerogative of investigative authorities (such as the Public Prosecutor) and are circumscribed to procedures involving criminal liability, therefore not being available in civil liability cases.

Within a civil procedure, the plaintiff may request the court to notify the defendant to submit to the court documents that are in his possession, pursuant to Article 528.<sup>o</sup> of the CPC. If the court notifies the defendant for the submission of such documents, and

the defendant refuses to provide the requested documents, the court may fine the defendant and his refusal can be considered by the court for evidentiary purposes, inclusively it may lead to a reversal of the burden of proof.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

Since there are no public records available concerning first instance courts' decisions, nor are there any wide-ranging studies dealing with these matters, it is not possible to provide a complete answer to the questions above, in particular questions concerning more practical aspects of trade secrets litigation.

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

As was mentioned above, the holder of a trade secret may request an interim measure with a view to prevent the verification or continuation of a hazardous event to his trade secret. The CPC does not establish a specific interim measure for trade secrets, but there is a general legal framework applicable to all interim measures which would allow the holder of the trade secret to request an unspecified interim measure.

All interim measures provide merely temporary decisions, which depend of an ordinary proceeding in order to confirm the interim decision. Pursuant to Article 389.º of the CPC, the interim provision shall expire if the plaintiff does not initiate the ordinary proceedings in order to obtain the definitive confirmation of the interim measure.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

There is no public information in this regard.

(d) Are cases involving technical trade secrets heard by specialist judges?

The cases involving trade secrets are not heard by specialist judges, since the Portuguese laws which determine the organization of the courts and its respective judges do not foresee autonomous specialized courts to deal with such matter.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

In the Portuguese Law there is only one situation in which the proceedings are dealt with under secrecy: the investigation secrecy in Penal Procedure. However, even in that situation the secrecy aims to protect the interests of the investigation itself, and not the interests of the holder of the secret.

Apart from this exception, the Portuguese judicial procedures are generally public, with no options for the party to stop this publicity.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court

litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

There is no public information in this regard.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

5. What defences are available to the defendant in a trade secrets action?

Considering that a trade secrets action would follow the normal proceedings of any civil procedure, the means of defence available to the defendant are the ones foreseen in the Portuguese Civil Procedure Code to the defendant, such as disputing the facts alleged by the claimant, bringing new facts or evidence to the procedure and arguing the occurrence of exceptions which impede the juridical effects intended by the claimant.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

As was mentioned before, there are no public records of all the decisions given by first instance courts concerning this matter, nor are there any wide-ranging studies which deal with the issues in this question, which makes it impossible to ascertain which are the requisites most considered by the courts.

However, concerning the second question, one can affirm that considering the Portuguese evidence provisions arising from the Civil Procedure Code or of the Penal Procedure Code, no specific type of evidence shall be demanded from the trade secrets owner, in order to make proof of his right.

7. As to award of damages:

(a) What are the available options?

(b) What are the criteria to determine and calculate damages?

(c) Are punitive damages available for breach of trade secrets?

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

Pursuant to the fact that the award of damages for the unlawful breach of trade secrets follows the general provisions of the Portuguese Civil Code concerning civil liability, the general rule is that damages that can be awarded include the patrimonial and moral damages, proved to have effectively occurred.

The main idea underlying the Portuguese civil liability regime is the reconstitution of the situation that existed before the occurrence of the fact that caused harm. Consequently, no punitive damages are foreseen or possible in Portuguese Law.

The criterion for determining and calculating the damages that are awarded is, therefore, the result of a comparative analysis between (a) the situation which followed the illicit fact and (b) an hypothetical scenario that would have existed where no breach had occurred.

It is not possible to estimate the average quantity of damages awarded, as – as was mentioned above – judicial decisions in first instance courts are not available and no studies in that regard have been completed.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

The Portuguese Civil Code generally differentiates civil liability arising from the breach of contract obligations and liability in tort, delict or quasidelict, although the remedies available tend to be the same: indemnity claim and the previous (or simultaneous) request for interim measures aiming to cease the damage or stop the risk of harm to the secret.

The main difference between both types of liability is the different time limits to claim the indemnity for the damages suffered and the proof need to prove the existence of fault in non contractual liability.

In everything else - either the means to obtain an indemnity from the offender or the means to stop him from continuing his illicit behavior, or the criterion for determining and calculating the amount of the indemnity - is the same in both types of liability for breach of trade secrets,.

9. Are the remedies identified for your jurisdiction also enforceable against:  
(a) A person who obtains trade secrets in good faith? and/or  
(b) A person who autonomously developed the same information?

Even if a person obtains a trade secret in good faith, that does not mean that said person is legally allowed to disclose or use the content of such trade secret.

Therefore, as long as the holder is able to prove that he is the legitimate trade secret owner, he may request an interim measure against the party who gained knowledge of the secret, in order to avoid the disclosure or use of the secret.

In this case, the holder, apart from proving he is entitled to the trade secret, must also prove the hazard of disclosure of the secret by the party who obtained it in good faith, and also the urgency in obtaining an interim decision.

However, if a person autonomously develops the same information contained in the trade secret, that does not constitute any delict in itself, as the existence of a trade secret does not impede that other individuals, by their own merits and creativity, are able to develop similar information.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(ff) While the employee is still employed?

(gg) Once the employee has left his employment?

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

While the employee is still working for the employer, he is legally obliged not to disclose any information referring to the organization, production methods or businesses of his employer, under the provisions of Article 128.<sup>o</sup>, n.<sup>o</sup> 1, subparagraph f) of the Portuguese Labor Code.

However, it has been widely accepted by both doctrine and jurisprudence from the Portuguese higher courts, that the employee is still bound not to disclose such information even after the agreement has ended.

Even so, a more cautious employer tends to enter into a written agreement with the employee, in which a contractual clause concerning the confidentiality of this information is expressly foreseen, both for the period in which the contract is in force and for the subsequent period.

Some examples of such clauses are presented below:

*"(Confidentiality Duties)*

*1. The Second Party is expressly subject, during and after the termination of the present contract, to keep confidential any and all information regarding documents or information regarding the First Party's activity, works and executed, products or proposed or accepted jobs or services.*

*2. The Employee hereby agrees to not reveal to any third parties and keep confidential all information and acquired knowledge before the First Party, suppliers or potential suppliers, clients or potential clients whether regarding the internal functioning, organization or any other element regarding the First Party.*

*3. By confidential information the parties agree to consider namely all information, documentation, reserved or privileged knowledge (non public) regarding the commercial activity of the First Party, technical knowledge and identification of the First Party's clients.*

*4. The confidentiality duties foreseen on the present contract shall be observed as long as the present contract is in force, and such duties shall remain valid and in force once the present employment contract has been terminated for an unlimited period of time, until the nature of such confidential information shall be considered as of public domain."*

*"(Confidentiality Covenant)*

*1. Notwithstanding written authorizations by the First Party or cases of need related to the development of the activity, the Second Party shall maintain absolute confidentiality, shall not use or disclose any confidential information of the First Party obtained during the performance or by means of his duties, and shall endeavour all efforts in preventing the use or disclosure of such information by other people, during and upon termination of the Contract, unlimitedly.*

*2. All registrations, bills, notes and documents, albeit private, regarding the First Party (either written or electronical documents), including all copies or extracts, acquired by the Second Party during the term of the Contract, shall be:*

- a. property of the First Party;*
- b. used exclusively for purposes related to the First Party;*
- c. immediately returned upon request by the First Party, at any moment;*
- d. returned to the First Party upon termination of the Contract, regardless of any request."*

These clauses are enforceable, as long as they are part of a written agreement entered into signed by the employee.

Since the law itself does not distinguish between trade secrets and other secrets which may be revealed by the employee, the court has no grounds to make such a distinction with practical results.



11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

Arguably, the most advantageous path for the holder of a trade secret is reverting to criminal procedure, because (a) the threat of a criminal penalty would be more dissuasive to the defendant than the mere risk of being sentenced to pay an indemnity and (b) the holder of a secret may make his claim for damages in this proceeding (pursuant to Article 71.º of the Portuguese Penal Procedure Code).

Since the criminal proceedings are conducted in the investigation phase by the Public Prosecutor, it may be easier to collect evidence of the misconduct, because the Public Prosecutor is entitled to exercise certain prerogatives of *jus imperii* that allow him to obtain evidence without the need of consent by the defendant.

In addition, by turning to criminal proceedings, the holder of the secret puts all the resources of the State and its investigative authorities to his own benefit, enlarging the possibilities of obtaining a more favorable outcome.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

Apart from duties arising from the law itself, as the ones the Portuguese Labor Code establishes, as pointed out above, there is a common practice of signing non disclosure or non use agreements by companies, as a means of protection of the trade secrets.

As better described below, as long as these agreements are written and contain the signature of the party obliged not to disclose or use the secret, they are enforceable, pursuant to Article 46.º, n.º 1, subparagraph c) of the CPC.

13. With regards to non disclosure and non use agreements:

- Are they effective and enforceable in your jurisdiction?
- If so, is prevailing enforcement provided by contract law, unfair competition law, other?
- Does the US doctrine of inevitable disclosure exist in your jurisdiction?

Like all agreements, non disclosure and non use agreements are effective, meaning they are fully able to produce all the effects foreseen by the parties.

Concerning the enforceability of such agreements, all that is necessary is that the referred agreements are written and that the written document contains the signature of the party obliged not to disclose or not to use, under the provisions of article 46.º, number 1, subparagraph c) of the Portuguese Civil Procedure Code.

The enforcement shall undergo the general proceedings of the Civil Procedure Code, which contains the framework of the enforcement procedure.

The doctrine of inevitable disclosure is not applicable nor could it be in the Portuguese legal system.

Under the Portuguese Constitution, all individuals are entitled a right to work, which means that all time-unlimited prohibitions to take a certain job are unconstitutional.

However, under the provisions of Article 136º, n.º 2 of the Portuguese Labor Code, the parties may agree on an inhibition of the employee to work for a competitor of his employer after the end of the agreement, for a maximum period of two years.

Such agreement must be written, the inhibition must concern an activity which may cause prejudice to the employer and the worker is entitled to be compensated for the period of inhibition.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

Concerning multi-location cases of violation of trade secrets, one must first verify if all the foreign jurisdictions in which a minimum connection with the case is found, are part of the European Union.

In such cases, the competence of the Portuguese courts is determined pursuant to Council Regulation (EC) 44/2001 of 22 December 2000 (henceforth, "Council Regulation"), with special relevance to articles 2 and 5, referred to below:

*"Article 2*

*1. Subject to this Regulation, persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State.*

*2. Persons who are not nationals of the Member State in which they are domiciled shall be governed by the rules of jurisdiction applicable to nationals of that State."*

*"Article 5*

*A person domiciled in a Member State may, in another Member State, be sued:*

*1. (a) in matters relating to a contract, in the courts for the place of performance of the obligation in question;*

*(b) for the purpose of this provision and unless otherwise agreed, the place of performance of the obligation in question shall be:*

*- in the case of the sale of goods, the place in a Member State where, under the contract, the goods were delivered or should have been delivered,*

*- in the case of the provision of services, the place in a Member State where, under the contract, the services were provided or should have been provided,*

*(c) if subparagraph (b) does not apply then subparagraph (a) applies;*

*2. in matters relating to maintenance, in the courts for the place where the maintenance creditor is domiciled or habitually resident or, if the matter is ancillary to proceedings concerning the status of a person, in the court which, according to its own law, has jurisdiction to entertain those proceedings, unless that jurisdiction is based solely on the nationality of one of the parties;*

3. *in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur;*

4. *as regards a civil claim for damages or restitution which is based on an act giving rise to criminal proceedings, in the court seised of those proceedings, to the extent that that court has jurisdiction under its own law to entertain civil proceedings;*

5. *as regards a dispute arising out of the operations of a branch, agency or other establishment, in the courts for the place in which the branch, agency or other establishment is situated;*

6. *as settlor, trustee or beneficiary of a trust created by the operation of a statute, or by a written instrument, or created orally and evidenced in writing, in the courts of the Member State in which the trust is domiciled;*

7. *as regards a dispute concerning the payment of remuneration claimed in respect of the salvage of a cargo or freight, in the court under the authority of which the cargo or freight in question:*

*(a) has been arrested to secure such payment, or*

*(b) could have been so arrested, but bail or other security has been given;*

*provided that this provision shall apply only if it is claimed that the defendant has an interest in the cargo or freight or had such an interest at the time of salvage.”*

What arises from both these articles is that in order for the Portuguese courts to be internationally competent to decide upon a multi-location dispute, the main criterion of attribution of competence is the defendant's domicile being located in Portuguese territory.

However, there are exceptions to this general rule, which allow for a person to be sued on a court from another jurisdiction, being the most relevant ones to the present subject-matter the location where an obligation was or should be complied and the location where the harmful event occurred.

In case any of the jurisdictions in question happens to be a country which is not part of the European Union, the international competence of the Portuguese courts shall be determined according to article 65.<sup>o</sup> of the CPC, which lists the relevant connections of multi-location cases that justify the attribution of international competence to the courts of the Portuguese jurisdiction, as transcribed below:

“Article 65.<sup>o</sup>

*(International competence attribution factors)*

*1- Without prejudice to what is established in international treaties, conventions, council regulations (EC) and special laws, the international competence of Portuguese courts depends of the verification of any of the following circumstances:*

*a) The defendant or defendants being domiciled in Portuguese territory, except in what concerns procedures dealing with property rights or rights in rem in immovable property located in foreign country;*

*b) The litigation having to be actionable in Portugal, according to the court's territorial competence provisions established in the Portuguese law;*

*c) The fact which constitutes the cause of action, or any of the facts which are part of it having occurred in Portuguese territory;*

*d) The invoked right not being able to become effective unless a legal procedure is started in Portuguese territory, or being considerably difficult for the claimant to action a legal procedure abroad, as long as between the object of the litigation and the national legal order there is a relevant element of connection, personal or real.*

*2- For the effects of subparagraph a) of the previous number it shall be considered as domiciled in Portugal the company which statutory or effective headquarters are located in Portuguese territory, or that has a branch, agency, subsidiary or delegation."*

The article in question is considerably broad, encompassing an extremely large number of cases.

This broadness is justified by an intention of the legislator of avoiding the occurrence of negative conflicts of competence between courts or, in other words, avoiding cases in which no court considers itself internationally competent to rule on a dispute.

Taking into account the aforementioned legal provisions, one can now provide an answer to the hypothetical scenario above indicated, which shall always start out from the main idea that there always needs to be a connection between the dispute and the Portuguese legal order.

In case the Portuguese territory happens to be the place where trade secrets are created and conceived, and all the other relevant connections of the multi-location dispute are established with Member States of the European Union, the Council Regulation does not provide the Portuguese courts with international competence.

Indeed, there is no ground to state that this element of connection is considered relevant under those provisions, as Article 5<sup>o</sup> of Council Regulation does not include any reference concerning the place where rights and obligations are created.

However, if one of the jurisdictions connected to the dispute is not a EU Member-State, the CPC, pursuant to Article 65.<sup>o</sup>, would attribute international competence to the Portuguese courts, whether (a) because the place of origin of the trade secret may be considered a fact which is part of the cause of action, or (b) because it may be affirmed that the effectiveness of the trade secret can only be accomplished through a decision made by a Portuguese court.

Regarding the case in which the misappropriation of a trade secret and the case in which the unlawful use of a trade secret takes place in Portuguese soil, the international competence of the Portuguese courts is assured both by the Council Regulation (Article 5<sup>o</sup>, n.<sup>o</sup> 3) and the CPC (Articles 65.<sup>o</sup>, n.<sup>o</sup> 1, subparagraphs b), c) and d) – the latter for the reasons described above, and the former due to Article 74.<sup>o</sup>, n.<sup>o</sup> 2 which grants territorial competence to the court of the place where the delict occurs).

If all of the parties involved in the dispute are domiciled in foreign countries, that does not impede the Portuguese courts from being internationally competent, as long as any of the above mentioned elements of connection with the Portuguese legal order are present in the dispute.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

Firstly, one must distinguish between cases in which the country of origin of the judgment is a part of the European Union. If the country of origin of the judgment is part

of the European Union, pursuant to Articles 33, 34 and 38 of the Council Regulation its recognition is generally automatic.

However, a Member State may refuse to recognise a judgment coming from a different Member State if such recognition would be manifestly contrary to the public policy of the State in which the recognition is requested.

Regarding the enforcement of decisions, the Council Regulation establishes that the enforcement is dependent from the referred decision being declared enforceable in the Member State in which the decision is to be enforced, under the provisions and through the proceedings foreseen on the referred to Council Regulation.

The reasons for a Member State to refuse the enforcement of a foreign judgment are the same as the ones foreseen for the refusal of recognition.

If country of origin of the judgment is not an EU Member-State - and if the situation is not one of the few cases in which the Brussels Convention or the Lugano Convention are applicable - Articles 1094.<sup>o</sup> to 1102.<sup>o</sup> of the CPC foresee a special procedure for the review of foreign judgments. A foreign judgment must be reviewed and confirmed by a Portuguese court, pursuant to this procedure, in order to be effective in Portugal.

In order for the judgment to be confirmed, all the requirements of Article 1096.<sup>o</sup>, below transcribed, must be verified:

"1096.<sup>o</sup>

*(Necessary requirements for confirmation)*

*In order for the judgment to be confirmed it is necessary:*

- a) That there are no doubts over the authenticity of the document in which the judgment is present, nor over the intelligence of the decision;*
- b) That the decision is in a condition of res judicata under the law of the country in which it was delivered;*
- c) That it derives from a foreign court which competence has not been provoked in circumvention of the law and does not state over matter of exclusive competence of the Portuguese courts;*
- d) That the exception of pendency of proceedings or res judicata cannot be invoked on the basis of a cause affected to a Portuguese court, except if it was the foreign court which prevented the jurisdiction;*
- e) That the defendant has been regularly summoned for the proceedings, under the provisions of the law of the country of origin of the court, and that within the procedure all the principles regarding an adversarial system and the equality of the parties have been observed;*
- f) That does not contain a decision which recognition leads to a result manifestly incompatible with the international public policy principles of the Portuguese State."*

Once undergone these proceedings, the judgment acquires full strength within the Portuguese legal system.

The specific protection awarded by the foreign decision is generally not susceptible of being re-appreciated by the Portuguese courts, irrespective of the level of protection granted in Portuguese Law. All that is necessary is that the specific protection granted by the foreign judgment does not collide with the international public policy principles of the Portuguese State.

## Romania

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Romanian legislation provides specific provisions on the protection of trade secrets as described below.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Unfair Competition Law - Law no. 11/1991

Article 11 Letter b) (definition of the trade secret): "A trade secret is the information that, either in full or in the precise interconnection of its elements, is not generally known by, or not easily accessible to, the persons in the environment that usually deals with such information, and which gains commercial value by being secret, and the holder of which took reasonable actions, taking the circumstances into account, in order to preserve its secrecy; the protection of the trade secret operates for as long as the requirements previously set forth are met."

The definition of a trade secret according to Article 11 Letter b) in the Unfair Competition Law is set in the light of preventing unfair competition, providing for civil liability, administrative liability or criminal liability, as the case may be.

Competition Law

*Instructions dated 2011 of the Competition Council*<sup>109</sup> on the rules of access to the Competition Council's file in the cases referring to articles 5, 6 and 9 from the Competition Law no. 21/1996, articles 101 and 102 of the Treaty on the functioning of the European Union, as well as in economic concentrations

a) Point 17 (*definition of business secrets*): "When the disclosure of information related to the economic activity conducted by a company may severely harm its interests, such information represents business secrets. Information which may be qualified as business secrets are, for example: technical and/or financial information related to the company's know-how, cost assessment methods, manufacturing processes and secrets, supply sources, quantities made and sold, market shares, client and distributor lists, marketing plans, cost and price structure, sale strategy.

b) Point 18 (*definition of other confidential information*): "The *other confidential information* category includes information, other than business secrets, which may be deemed as confidential, insofar as the disclosure of such information may significantly harm a person or company. Furthermore, based on the specific circumstances of each case, other confidential information may include information provided by third parties in respect to the involved economic operators, which may exert considerable economical

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<sup>109</sup> The Instructions were implemented by the Order of the Competition Council's President no. 794/2011

and commercial pressure on the competitors or commercial partners, clients and/or providers of such economic operators.

Other relevant provisions on the protection of trade secrets in the competition law field are provided in Section A of the Competition Law Questionnaire.

#### Civil Code

*Disclosure of trade secrets:* The Romanian Civil Code, entering into force in October 2011, sets forth that a person is exempt from liability for the damages caused by the disclosure of a trade secret, if he/she proves that such disclosure was required due to critical circumstances relating to health or public safety.

*Protection of confidential information in pre-contractual negotiation:* The Romanian Civil Code also sets forth the obligation of non-disclosure and non-use for own interest of confidential information exchanged between parties during pre-contractual negotiations, irrespective of the fact that an agreement is concluded or not at the end of such negotiations. As a consequence of the breach of the abovementioned obligation, the defaulting party will be held liable for the damages occurred.

#### Companies Law - Law no. 31/1990

*The board of directors' obligation not to disclose trade secrets, in the case of joint stock companies:* Board members are not entitled to disclose company related confidential information and trade secrets to which they have access in their capacity as directors. This obligation remains valid after they have been released from their positions as directors, not being limited by time.

#### Copyright Law - Law no. 8/1996

A work is protected under the Copyright Law since its creation, irrespective of its disclosure to the public. Therefore, the work's owner can seek protection against the unauthorized use or/and disclosure of its work under the Copyright Law. As long as a work is expressed in a form which is not disclosed to the public, it may be protected as a trade secret considering its economical value and the fact that a trade secret may consist in any kind of information according to its definition set forth by the Unfair Competition Law and detailed hereinabove. It should be noted that, according to the Copyright Law, the information in itself is not protected under the copyright legislation. Therefore, due the broad interpretation given by the Unfair Competition Law to the word "information", it results that not all trade secrets can be protected under the Copyright Law.

#### Patent Law – Law no. 64/1991

The Patent Law stipulates certain provisions on the confidentiality obligation and on the non-public nature of a patent application, which may be considered as being related to the trade secret and a part of the legal regime of trade secrets in Romania.

*An invention may be deemed as a trade secret until it is published.* By means of the legal obligation related to confidentiality set forth to be observed until the publishing of the patent application, the Patent Law allows, but not requires, for such information to be kept as trade secrets. According to the Patent Law, an invention for which a patent application has been filed with the State Office for Inventions and Trademarks shall not be disclosed without the applicant's consent, until the publication of such application and, furthermore, the data contained in the National Register of Patent Applications are not available to the public, until their publication in the Official Industrial Property Bulletin. As a consequence, for the patent applicants, the invention preserves its trade

secret nature until it is published and for the representatives of the State Office for Inventions and Trademarks, the patent application related to such invention represents a professional secret.

According to the Patent Law, the invention must be disclosed in the patent application in a manner sufficiently clear and complete for it to be carried out by a skilled person. Furthermore, the law sets forth the possibility of claiming the revocation or the cancellation of a patent, if the invention is not disclosed in a manner sufficiently clear and complete for it to be carried out by a skilled person. Consequently, a partial disclosure of an invention is prohibited by law.

Nonetheless, the patent opacity phenomenon is frequently encountered. This phenomenon may bring economic benefits to a patent owner, but it may also restrict the protection by patent to the description of the invention provided in the application. The owner, as beneficiary, may control and use as a trade secret, the technical aspects which were not mentioned in the invention description. In the doctrine, this trade secret is known as "Know-how related to the patented invention". The trade secret as "Know-how related to the patented invention" is very important in the relationship between the patent owner and third parties entitled to use such patent (i.e. licensees). Consequently, even if the licensee is authorized to use the technical solution described in the patent application, it is not able to manufacture products with the same quality as the licensor in its capacity as patent owner and as owner of the "Know-how related to the patented invention".

*The invention deemed as state secret.* The information in the field of national defense and State security included in an invention created on the territory of Romania and being the object of a patent application, may be classified as state secret by the competent authorities; in such case, the applicant shall be informed accordingly by the authority that has classified the information and may, on a contract basis, benefit from a compensation granted by the said authority. The secrecy of information classified as state secret may be removed at the discretion of the authority which had classified them.

*The criminal offense of breaching of the "inventions' confidentiality".* The disclosure of information contained in patent applications by the staff of the State Office for Inventions and Trademarks, as well as by persons performing activities in connection with the inventions, prior to the publication represents an offence and shall be punished with imprisonment from 3 months to 2 years, and the State Office for Inventions and Trademarks is liable to the inventor for the prejudice caused by such disclosure.

#### Criminal Code

The *professional secret* is also a type of confidential information which may be deemed, under specific circumstances, a trade secret (if it also has economical value). According to the Criminal code, the unlawful disclosure of data, if likely to harm a person by the persons to whom such data were entrusted, and who learned as a result of their job or position, shall be punished with imprisonment from 3 months to two years or with criminal fine.

Also, the Romanian Criminal Code incriminates the disclosure of *business secrets* which is deemed as the disclosure of data or information not intended to be disclosed by the person to whom such data were entrusted in the course of their professional activities, if such disclosure is likely to cause damage, and punishes it with imprisonment from 2 to 7 years. If the criminal offense referred to hereinabove is committed by another person, regardless of the way in which the data or information was found, punishment will be imprisonment from 6 months to 5 years.



## Labor Code

The Labor Code does not stipulate express provisions on trade secret. However, it stipulates specific provisions on confidential information which may be deemed in certain circumstances trade secret. The Labor Code provides as an option, not as an obligation, the conclusion of a confidentiality agreement regarding the information provided by the employer to the employee prior to the individual labor agreement conclusion. In addition, a non-disclosure clause may be inserted in the individual labor agreement regarding confidential information by means of which the parties agree, during the performance of the individual employment contract and after its termination, not to disclose data or information provided to them during the performance of the contract, under the terms and conditions of the internal regulations, of the collective labor agreements and of the individual labor agreements. By breaching the non-disclosure clause, the employee is liable to the employer for damage caused.

For the employee, the Labor Code also expressly sets forth the obligation of not disclosing secrets of service without giving a definition of such "secrets of service". A definition of the secret of service is set forth in the Law on the Protection of Classified Information.

## Law on the Protection of Classified Information - Law no. 182/2002

The "secret of service" is defined by the Law on the protection of classified information as "the information whose disclosure is likely to cause damage to public or private legal entities". Consequently, in the light of the definition of the trade secret set forth by the Unfair Competition Law and of the abovementioned definition of the secret of service, we may also deem, under certain circumstances, a secret of service as being a trade secret, and the protection of a secret of service will also be an indirect protection for the trade secret with its specific regime stipulated by the Law on the protection of classified information. Furthermore, the same law sets forth the definition of the state secret as information concerning national security, whose disclosure could harm national defense and security.

## Banking Law - Government Emergency Ordinance no. 99/2006

According to Romanian Banking Law, a bank must preserve the confidentiality of any fact, data or information at its disposal, regarding the person, property, activity, business, personal or trade relationships of its clients, as well as any information related to its clients' accounts. Such data or information, together defined as "banking secrecy", may be deemed as trade secrets when damaging the commercial interests of the bank's clients<sup>110</sup>.

However, information subject to banking secrecy must be disclosed for legally justified reasons (i.e.: at the request of courts, prosecutors or other criminal investigation authorities). In such cases the persons receiving this type of information are also under the obligation to keep such information secret.

The abovementioned secrecy protection rules are also applicable to non-banking financial institutions (e.g.: leasing companies).

## Data Protection Law no. 677/2001

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<sup>110</sup> For the purposes of the Banking Law, a "client" is any person with whom the bank has negotiated a transaction, even if the said transaction has not been concluded yet, including the persons who benefit or benefited in the past from the services of the respective bank

The Romanian Data Protection Law defines "personal data as any information referring to a natural person, identified or identifiable". In certain cases, even the law does not expressly provide that, personal data are also trade secrets (e.g.: list of consumers, list of clients or of employees which can incorporate economical value).

Personal data in general and sensitive personal data in particular must be treated as confidential by their processor or its delegates, the use by, or the transfer of, such data to other persons being permitted only with the observance of certain confidentiality and security rules. Thus, the data-controller must apply adequate technical and organizational measures in order to protect personal data against accidental or unlawful destruction, loss, alteration, disclosure or unauthorized access.

Both illegal processing of personal data and the breaching of confidentiality and security obligations in relation to such data are considered administrative offences under the Data Protection Law and are sanctioned by civil fines.

Access to Public Information Law no. 544/2001

Romanian public authorities shall grant *ex officio* or by request access to public information. According to the law, public information should include, amongst others, the relevant legislation settling the respective public authority's activity, its structure, departments' attributions, working and audience time table, information about its financial sources, annual budget and balance sheet.

However, the free access is denied in case of "information regarding financial or commercial activities if, according to the law, the disclosure of such information is detrimental to the IP and industrial law, as well as to the principle of fair competition" .

Public-Private Partnership Law no. 178/2010

Public Private Partnership Law and correlative Methodological Regulation for its application set forth certain provisions on the confidentiality of trade secrets during the awarding procedure for a public-private partnership agreement. During the evaluation process, the evaluation commission and the co-opted experts are required to keep confidential the content of the tenders, as well as any other information submitted by private investors, and whose disclosure could harm their right to protect their intellectual property or trade secrets.

Public Procurement Law - Government Emergency Ordinance no. 34/2006

The Public Procurement Law sets forth the contracting authority's obligation to guarantee the protection of the information specified by the economic operator as being confidential, in order to avoid the disclosure of such information which may harm the legitimate interests of the economic operators. The Public Procurement Law expressly refers to the protection of trade secrets and intellectual property and sets forth that, during the evaluation process, the commission and the co-opted experts are required to keep confidential the content of the tenders, as well as any other information submitted by the candidates/tenderers, and whose disclosure may impair their right to protect intellectual property or trade secrets.

Trade secrets legislation is part of the civil law system and its violation results in civil liability. According to the rules examined herein, correlated with the analysis performed under Section A of the Competition Law Questionnaire, in the light of the Romanian legal system, the specific legal protection of trade secrets is generally granted under the Unfair Competition Law. As an exception, only few provisions expressly referring to trade

secrets are provided by the Civil Code, by the Public Procurement Law, by the Companies Law or by the Public-Private Partnership Law.

Furthermore, a company and/or an individual violating a trade secret could also face administrative and criminal liabilities. Therefore, several provisions indicated above may be regarded as part of the administrative law or criminal law.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

Not applicable.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Not applicable.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

According to the Unfair Competition Law, trade secrets are defined as information kept secret by a trader. This is a very broad definition that can allow the protection of a wide variety of data and information as trade secrets. In the relevant legal literature, it has been shown that the word "information" can include from data regarding the company sales up to the design of a new product of said company (which can be also protected under the copyright law). Consequently, some trade secrets may be regarded as intellectual property.

According to the Romanian relevant literature, the Know How is deemed as the only intellectual property right which is protected as a trade secret. Know How means any information resulted from an industrial, commercial or scientific experiment, which is necessary for the manufacturing of a product or for applying an existing process and whose disclosure to other persons is not allowed without the disclosing party's consent.

Other intellectual property rights may be protected as trade secrets if their existence is kept secret. For example, a work is protected under the Copyright Law since its creation, irrespective of its disclosure to the general public and, therefore, its owner can seek protection against its unauthorized use or/and disclosure under the legislation regulating trade secrets or under the Copyright Law. It should be noted that, according to the Copyright Law, the information in itself is not protected under this legislation. Therefore, considering the broad interpretation given to the word "information", it results that not all pieces of information deemed as trade secrets can be protected under the Copyright Law.

The provisions of the Enforcement Directive<sup>111</sup> are implemented by the Copyright Law. Therefore, this directive will not be applicable to the protection of all trade secrets, but only to the trade secrets which may also be protected under the Copyright Law.

5. Which different types of trade secrets are recognized in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

The scope of the notion of trade secrets under the Romanian law was detailed and analyzed herein in Section A, point 2 of the Commercial and IP Law Questionnaire. Please refer to the abovementioned analysis.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

Romania is one of the Member States in which there is a specific legislation on trade secrets, as described in Section A, point 2 of the Commercial and IP Law Questionnaire. However, some improvements are always required considering that the provisions on trade secrets are stipulated in different fields of law: unfair competition law, criminal law, civil law, public procurement law or corporate law. In addition, in the IP law, a specific and express trade secret regime required by the importance of IP rights and their protection is not regulated.

An European harmonized and common legislation for the definition and effective protection of trade secrets, also including rules of competence for the courts entitled to judge such matters, may be an opportunity for a stronger protection of trade secrets.

Moreover, we consider that trade secrets, or a specific category of trade secrets, irrespective of the fields in which they are regulated, also including the competition field, must be explicitly deemed as "intellectual property" under the Romanian law, so that the Enforcement Directive may be directly applied to trade secret cases in Romania.

Currently, there is only a proposal to substantially amend the current Unfair Competition Law, which is in force, with several amendments, starting with 1991. Thus, at the end of last year the Competition Council posted on its official website, for public debate, the unfair competition draft law, that will replace, upon covering all parliamentary approval stages, which however may last for a few months, the current Law no. 11/1991.

In summary, the main amendments of this draft law, in terms of the reviewed matter, are:

a) the *trade secret* concept is redefined, as *business secret*, in a more simplified form of the similar concept in the American Trade Secrets law<sup>112</sup>:

Article 2, Letter d) (definition of business secrets): "Business secret means any information having actual or potential commercial value, which is unknown to third parties, for which the holder took reasonable measures, considering the

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<sup>111</sup> Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights

<sup>112</sup> The Uniform Trade Secrets Act (U.T.S.A.), published by the Uniform Law Commission in 1979 and amended in 1985)

circumstances, to be held secret; the protection of the business secret is applicable to the extent that the previous conditions are met”;

- b) the *business espionage* is defined for the first time in the Romanian law, through the identification of illegal methods which may affect or compromise a business secret:

Article 2, Letter e) (definition of business espionage): “Business espionage represents the obtaining by illegal means or the disclosure, transfer or use in the absence of any right or any other legal justification of a business secret”;

- c) Competition Council becomes the sole authority entitled to enforce the Unfair Competition Law, except for the deeds representing criminal offences and the damage claims, whose judgment and punishment remain under the exclusive authority of courts;
- d) new anti-competitive deeds regarding business secrets are regulated, and some of the deeds which already exist in the current Unfair Competition Law are requalified as criminal offences, with the consequence of applying criminal sanctions;
- e) the method of determining civil fines is changed and the amount of both civil and criminal fines is increased, as follows:

Unfair Competition Law in force		Draft Law	
Text of deed	Sanction	Text of deed	Sanction
<p>Administrative offences</p> <p>the disclosure, the acquisition or the use of a trade secret by a trader or an employee thereof, without the consent of the legitimate owner of such trade secret and contrary to fair trade customs</p> <p>(art. 4, para 1, letter b)</p>	<p>fine ranging from 1.000 lei (c.a Eur 230) to 10.000 lei (c.a EUR 2280)</p>	<p>this deed will be sanctioned as criminal offence, according to art. 11, para 1, letter c)</p>	<p>imprisonment from 6 months to 5 years</p> <p>or</p> <p>fine ranging from 20.000 lei (c.a Eur 4.545) to 200.000 lei (c.a Eur 45.450)</p> <p>plus, if the case may be, the complementary sanctions stipulated below for criminal offences</p>
<p>offering, promising or giving gifts or other advantages, directly or indirectly, to a trader`s employee or representatives, so that by unfair conduct one may get information about the trader`s industrial processes, get know of, or use the trader`s clients, or obtain any other</p>	<p>fine ranging from 1.500 lei (c.a Eur 340) to 15.000 lei (c.a EUR 3410)</p>	<p>this deed is no longer explicitly regulated in the draft law, however it will also be sanctioned in the future, if applicable, part as the contravention related to a company`s disorganization (“instigation or determination of</p>	<p>if applicable, civil fine or criminal sanctions, as regulated in the draft law</p>

<p>advantages for oneself or for another person to the detriment of a competitor</p> <p>(art. 4, para 1, letter f)</p>		<p>employees, suppliers, clients or other involved parties not to comply with their contractual obligations”), part as a criminal offence, according to art. 11, para 1, letter c) of the draft</p>	
<p>-</p>		<p>the luring-away of the clients of an economic operator by its former employee/ representative, by using confidential data, for which the said operator took reasonable precautions to ensure protection</p> <p>(art. 5, para 1, letter d)</p>	<p>a) legal entities:</p> <p>fine from 0,3% up to 3% of the total turnover/total income in the financial year prior to the sanctioning, however, not dropping under 5,000 Lei (c.a Eur 1.135)</p> <p>By exception, in the case of economic operators which did not register a turnover /income in the year prior to sanctioning, the sanction will be a fine from 5,000 Lei up to 100,000 Lei</p> <p>b) individuals:</p> <p>fine ranging from 1.000 lei (c.a Eur 230) to 20.000 lei (c.a Eur 4.545)</p> <p>plus:</p> <p>if the case may be, the Competition Council could force the alleged infringer, during the investigation, to temporarily cease the unfair competition act or to change a certain behavior</p>

<p>Criminal offences</p> <p>the use for commercial purposes of results of experiments whose obtaining required considerable effort or other secret information in relation thereto, provided to the competent authorities in view of acquiring marketing authorizations for pharmaceuticals or agricultural chemical products, containing new chemical compounds</p> <p>(art. 5, para 1, letter c)</p>	<p><u>imprisonment</u> from 6 months to 2 years</p> <p>or</p> <p><u>fine</u> ranging from 2.500 lei (c.a Eur 570) to 5.000 lei (c.a Eur 1.135)</p>	<p>Criminal offences</p> <p>the use for commercial purposes of results of experiments whose obtaining required considerable human or financial effort or other secret information in relation thereto, provided to the competent authorities in view of acquiring marketing authorizations for pharmaceuticals or agricultural chemical products, containing new chemical compounds</p> <p>(art. 11, para 1, letter a)</p>	<p><u>imprisonment</u> from 6 months to 5 years</p> <p>or</p> <p><u>fine</u> ranging from 20.000 lei (c.a Eur 4.545) to 200.000 lei (c.a Eur 45.450)</p> <p>plus, if the case may be:</p> <p><u>complementary sanctions:</u></p> <p>a) the prohibition of being a shareholder, director or holding another executive position within a company;</p>
<p>the disclosure of the information provided under letter c), except when the disclosure of such information is required in order to protect the public or except when measures have been taken in order to ensure that the information are protected against unfair commercial use, if such information stem from the competent authorities</p> <p>(art. 5, para 1, letter d)</p>		<p>the disclosure of the information provided under letter a), except when the disclosure of such information is required in order to protect the public or except when measures have been taken in order to ensure that the information are protected against unfair commercial use, if such information stem from the competent authorities</p> <p>(art. 11, para 1, letter b)</p>	<p>b) the prohibition of directly or indirectly operating a company for up to 2 years upon the date a conviction is issued.</p>
<p>the disclosure, the acquisition or the use of a trade secret by third parties, without the consent of the legitimate owner of such trade secret, as a result of an action of commercial or industrial espionage</p> <p>(art. 5, para 1, letter e)</p>		<p>the disclosure, the acquisition or the use of a business secret by third parties, without the consent of the legitimate owner of such business secret, as a result of an action</p>	
<p>the disclosure or the use of</p>			

<p>the trade secrets by persons pertaining to public authorities, as well as by persons empowered by the legitimate owners of such secrets in order to represent them before the public authorities</p> <p>(art. 4, para 1, letter f)</p>		<p>of business espionage</p> <p>(art. 11, para 1, letter c)</p>	
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As until now, at the request of the legitimate holder of the business secret, the court may rule upon certain measures of prohibition of the industrial and/or commercial exploitation of the products resulting from the illicit appropriation of the business secret or of destruction of such products. The prohibition shall cease when the protected information becomes public.

As a novelty of the draft law, noticed by several participants to the public debate as being a weak point of the same, we mention the restriction of the Competition Council's jurisdiction to only such deeds of unfair competition which are of interest to the proper operation of the economy at large or of several of its components, according to the Competition Council's criteria of prioritizing its own activity. Insofar as this provision will be maintained in the final form of the law, Competition Council's intervention will aim at protecting the general public interest, and the particular interest is to be protected by other legal instruments or forms of liability (tort liability or contractual liability, criminal liability).

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

(1) Supreme Court of Justice, Commercial Section, Decision no. 1430/2003;

*In decision no. 1430/2003, the Romanian Supreme Court of Justice ordered the defendants, two former employees of the plaintiff, to stop committing acts of unfair competition consisting, among others, in the violation of the plaintiff's trade secret and in the diversion of its clients. The court ordered the defendants to pay compensation amounting to LEI 10,127.*

*In this case, the Romanian Supreme Court of Justice ruled that one of the defendants, in his capacity as manager, had signed a confidentiality clause and a competition clause, meaning that he was under the obligation to observe the confidentiality of all the operations, agreements executed for the sale of the plaintiff's products, including information regarding the products, financial data, business intentions, procedures and market strategies, and that he had also agreed that the confidentiality clause was to be effective after termination of the contract.*

*Under these circumstances, it is obvious that the defendants, in their capacity as former managers and commercial agents, had access to all the data regarding the products, including prices and sales area.*

*The evidence revealed that the two defendants had been sending price offers to the plaintiff's clients since 1999, when they were still employees of the latter. This aspect supports the evidence regarding the defendants' intention of diverting customers, as long as the plaintiff's business partners became customers of the defendants before the termination of their labor agreements.*



- (2) The Bucharest Court of Appeal, Civil and Labor Litigations Section VII, Decision no. 2111/R/2009 ;

*In decision no. 2111/2009, the Bucharest Court of Appeal rejected the appeal against the decision no. 5780/2008, which stated that the defendant, a former employee of the claimant, did not violate the confidentiality clause stipulated in the labor agreement.*

*The court believed that the defendant, as former salesman in the complainant's company, did not breach the confidentiality clause or the non-competition clause by establishing its own company during the period in which the labor agreement was in force, as the activity of the defendant's company started only after the termination of the labor agreement.*

*Furthermore, the court stated that the use of the professional knowledge acquired during the time the defendant worked at the complainant's company did not represent a violation of the confidentiality clause, and that the complainant did not prove that the defendant had used data, information and contacts that he could have received only in his capacity as employee of the company.*

*There was no proof that the defendant had used the links, the contracts and the logistics of the complainant's company, the simple fact that the two companies had common customers being considered as natural, since the two companies had the same scope of activity.*

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

- (1) Razvan Dinca, The relationship between trade secret and copyright, in Romanian Journal of Intellectual Property no.3/2009, page 140;
- (2) Ciprian Raul Romitan, Some considerations on the definition and juridical protection of know-how, in Dreptul no. 1/2006, page 79;
- (3) Mihail Etienne Oprea, Banking Secrecy, in Commercial Law Review no. 7-8/1999, page 109;
- (4) Ana Maria Corbescu, Protection of know-how. Considerations of jurisprudence and doctrine, in Romanian Journal of Intellectual Property no. 1/2006, page 52;
- (5) Razvan Dinca, Agreement on trade secret disclosure, in "Dreptul" magazine no. 10/2009, page 40;
- (6) Razvan Dinca, Agreement on trade secret disclosure, in "Dreptul" magazine no. 9/2009, page 31;
- (7) Ioan Macovei, Intellectual property law, C.H. Beck Publishing, 2010;
- (8) Viorel Ros, Dragos Bogdan, Octavia Spineanu-Matei, Copyright and Related Rights, All Beck Publishing, 2005;
- (9) Margareta Oproiu - "Forms and functions of legal protection of intellectual property rights. Trade secret", in Commercial Law Review no. 7-8/1996, page 92;
- (10) Emilia Mihai - "Procedural aspects regarding to the unfair competition action. Romanian and Comparative Law", in Commercial Law Review no. 7-8/2001, page 109;

- (11) Razvan Dinca - "Protection of trade secret by means of Civil procedure law, in Romanian Journal of Intellectual Property " in Analele Universitatii Bucuresti" no. 1/2009;
- (12) Tinca, O - "Some observations regarding the confidentiality clause of the labor contract", in Commercial Law Review no. 9/2004;
- (13) Dimitriu, R - "The non-compete clause and the confidentiality clause in the regulation of the new Labor Code", in Labor Law Review no. 2/2003;
- (14) Kocsis, J - "Regarding the disclosure right of the author", in Romanian Business Law Review no. 6/2007.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

The general aspects that must be established in order to commence legal proceedings are:

(a) whether the information for which protection is sought, is in fact a trade secret. The trader must prove that the information is not generally known by, or not easily accessible to, the persons usually dealing with such information, and said information gains commercial value by being secret. Also the trader must prove that it has taken reasonable measures to keep the information secret.

(b) the disclosure, the acquisition or the use of a trade secret by a third party.

(c) the party disclosing, acquiring and/or using the information is aware or should have been aware of the fact that said information is actually a trade secret pertaining to another trader.

In some cases, in order to successfully prosecute an individual, in addition to the above mentioned aspects, the following must also be shown:

(a) the trade secret has been obtained through industrial espionage; or

(b) the trade secret has been disclosed and/or used by individuals employed by a public authority or by individuals authorized to represent the owner of the trade secret before a public authority; or

(c) the trade secret has been disclosed by a person that obtained said information as a professional or in the course of his/her employment.

2. What civil remedies are made available? Are the remedies cumulative?

The following cumulative remedies can be sought by the owner of the trade secret in commercial proceedings:

(a) to be compensated for patrimonial and/or moral damages sustained following the acquisition and/or disclosure and/or use of the trade secret by the defendant;

(b) to coerce the defendant to destroy or return any document containing trade secrets;

(c) to coerce the defendant to provide information about the trade secrets disclosed to third parties;

(d) to coerce the defendant to stop any disclosure or use of the trade secret;

(e) to coerce the defendant to publish the court decision in a newspaper.

(f) to coerce the defendant not to use in the course of its trade any goods resulted from the use of the trade secret or to destroy said goods.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

Under the Romanian law, the owner of a trade secret cannot bring proceedings before a court of law for permission to search premises and computer systems for misappropriated data. Such proceedings can be ordered only by a prosecutor during the investigation of a criminal complaint and must be approved by a competent judge.

In theory, ex parte orders coercing the defendant to provide information as to the whereabouts of documents and files containing the trade secrets of the plaintiff could be obtained if certain evidence is provided to the court. However, considering the nature of such infringements and the procedural rules applicable for ex parte orders, is very unlikely that such orders can be met in practice.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

According to the Unfair Competition Law, at the request of the legitimate holder of a trade secret, the court may order the disqualification of industrial operation and/or commercial products from acquiring illicit trade secret or destroy these products. The prohibition ends when the protected information becomes public.

Beyond the abovementioned specific protection grounded on the unfair competition law, the Romanian Civil Procedure Code also sets forth, for the avoidance of imminent damages, the “injunctive relief” procedure (in Romanian: “*ordonanta presedintiala*”). This injunctive relief is a special procedure under which the court may order interim measures in urgent cases for the following:

- *maintaining a right which would be breached by delay;*
- *preventing an damage which is imminent and which cannot be covered;*
- *removing obstacles that may arise during performance.*

The admissibility conditions of the request for injunctive relief are:

- *Urgency of the measure requested.* Such urgency will be ascertained by the court when judging the application for injunctive relief.
- *No preliminary settlement on the merits.* Within this procedure, the court does not examine the merits of the parties’ trade secret rights; the judge is only examining the appearance of the rights.
- *Transient measure.* Within this procedure, the merits of the misunderstanding occurred between the parties cannot be tried. The party dissatisfied with the action taken by means of injunctive relief, is able to address the court by using the ordinary procedure. In general, the measures decided on by way of injunctive relief are limited in time, until the settlement of the case on the merits, but are likely to remain irrevocable, if the parties fail to follow the way of ordinary procedure.

(b) Are time limited final injunctions? Do they require to be confirmed through an ordinary proceeding?

As described below, decisions delivered by courts in the injunctive relief procedure are limited in time until the settlement of the litigation on the merits within the ordinary procedure, if applicable. By the settlement of the litigation on the merits within the ordinary procedure, the measures taken may be retained or changed. However, if the entitled party does not submit a claim in the ordinary civil procedure, the decision delivered during the injunctive relief procedure becomes definitive.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

Depending on the case's complexity, the average duration varies from 2-3 years to 5 years until a final decision.

Costs also depend on the value of the damages claimed to be covered and on the legal costs (e.g.: lawyers' fees, experts' fees).

(d) Are cases involving technical trade secrets heard by specialist judges?

There are no specialized judges in the Romanian judiciary, although the courts have sections or panels with specific areas of expertise (i.e.: civil section, criminal section, labor section, IP and/or unfair competition section). In cases when technical or very specific knowledge is needed, experts are assigned by appointment of court to examine certain issues, generally required by the parties and approved or supplemented, if necessary, by the court. The role of experts is to advise the court panel, but, in effect, the decision of the judges is generally based on the conclusions of the expert report.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

Generally, court hearings are public in Romania. As an exception, the public can be excluded from court hearings in certain cases, namely when public discussions could harm public order, morality or the parties.

The Decisions of the Romanian Courts are only grounded on proof, hence, the parties have to prove their claims according to the evidence regulated by Romanian law such as documents, witnesses' affidavits, examinations of parties, on-site investigations or reports of technical surveys.

Considering the non-public nature of trade secrets, the interested party is entitled to request the Romanian court for the hearings to be declared secret, if maintaining discussions public could harm the parties' interests.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

Considering that the Romanian practice is focused on confidential information and not on trade secrets, no official statistics are available as to the number of trade secrets related cases heard by the Romanian civil courts. Moreover, we tend to believe that litigation grounded on trade secrets protection is not an extensive practice in Romania, as it also results from our research in the national courts' jurisprudence.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

Proving the disclosure of a trade secret is by its nature a complex and complicated process. Consequently, a clear and correlated legislation is needed in order for the enforcement of trade secrets protection to become effective. In addition, an illustrative list on the types or categories of trade secrets would be useful for the traders, and also for the courts. Perhaps, by means of this list, this institution of "trade secret protection" is to become friendlier with the traders in order to ground their claims submitted in courts in this respect and not on the general protection of confidential information.

5. What defences are available to the defendant in a trade secrets action?

The defendant is entitled to submit in court a statement of defence supporting its defences and to propose its evidence to be admitted by court.

The defendant is also entitled to use all the evidence admitted by court, such as witnesses' affidavits, parties' examinations, surveys or on-site investigations.

General grounds for defence include: good faith, absence of fault, lack of any damage for the owner, lack of the economical value nature of the information designated as trade secrets, contributory negligence or consent of the rightful owner of the trade secret.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

Considering that the Romanian practice is mostly based on the infringement of the confidentiality obligation by employees and not on the violation of the trade secret, we cannot achieve a hierarchy of requisites' importance in determining the granting or not of protection to trade secrets by courts.

7. As to award of damages:

(a) What are the available options?

The available options according to the Romanian law, for awarding damages in respect to the breaching of legal provisions/contractual clauses on trade secrets and/or on confidential information, are contractual liability and non-contractual liability, as the case may be.

Damages grounded on contractual liability may be requested, for example, in case of employment or commercial agreements, in accordance to the terms and conditions stipulated in the confidentiality clause (non-disclosure clause). It's important to mention that, by means of a contractual provision, only the disclosure of the trade secret may be sanctioned, without being necessary to met subsidiary conditions. Contractual liability means only the coverage of the damages which were set forth by the contractual clause, as predictable on the conclusion of the agreement.

Nonetheless, the non-contractual liability means the coverage of the entire damage – both "*damnum emergens*" and "*lucrum cessans*", predictable and unpredictable, while the contractual liability does not include the coverage of the unpredictable damage.

Furthermore, it should be noted that according to literature, the damages are of two types: compensatory or default. The compensatory damages are the damages which were actually suffered plus the profits lost by the injured party due to the failure of the other party to fulfill its obligations. The amount of these damages is specified by the

party who is adversely affected. Default damages (in Romanian "*daune moratorii*") are damages suffered by the injured party as a result of the delayed performance of the obligations undertaken by the other party.

(b) What are the criteria to determine and calculate damages?

In order to be covered, the damages on the basis of non-contractual liability must be certain and not already covered when they are requested. According to the literature and jurisprudence, in determining the extent of the damages, the material condition of the author of the injury or the material status of the injured party shall not be taken into consideration. The author of the injury is liable for the mildest form of fault. In addition, in case of breaching trade secret provisions, it is easier to resort to the remedy of damages by equivalent rather than remedying such damages in kind, even if the general rule applied is the latter. Although there is little jurisprudence in the field of trade secret protection, the general rule for calculating damages remains the rule contemplating the consequences of the injuring event. Furthermore, the damages must be fully covered; respectively damages actually suffered and lost profits.

(c) Are punitive damages available for breach of trade secrets?

The punitive damages are not specifically acknowledged under Romanian law. The institution of "comminatory damages" (in Romanian "*daune cominatorii*") is relatively similar, however, with significant differences (i.e.: punitive damages are usually awarded under tort law, whereas the comminatory damages are also awarded in contractual disputes). The comminatory damages represent in fact a civil coercive sanction, which does not serve to redress the concrete loss that a party has suffered by reason of the wrongful conduct of the other party, but to exert pressure on the defaulting party in order to expedite the performance of its obligations. Thus, in case a party fails to comply with its contractual obligations, it may be ordered by the court to pay a certain amount per day until the actual performance of its obligations.

As a general rule, the courts are entitled to award comminatory damages. However, this civil sanction may be also imposed by administrative authorities. For instance, in order to determine the infringers to observe the interim decisions regarding the cessation of certain unfair competition acts or behaviors, the Competition Council is entitled to apply comminatory fines of up to 5% of the infringer's average daily turnover corresponding to the financial year prior to the sanctioning, per each day of delay.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

No official statistics are available as to the average quantity of awarded damages in civil proceedings in the Romanian jurisdiction.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

The breaching by traders of the obligation of performing their activity in good faith, according to honest practices, in compliance with the consumers' interests and the requirements of fair competition, entails civil liability, administrative liability or criminal liability according to the unfair competition law.

*Grounded on contractual liability*, the trade secret violations may only be remedied by compensation of patrimonial and/or moral damages sustained following the acquisition

and/or disclosure and/or use of the trade secret by the defendant in breach of a confidentiality(non-disclosure) contractual clause.

*Grounded on non-contractual liability*, in an unfair competition action, the trade secret violations may be remedied as follows:

- (a) to coerce the defendant to stop any disclosure or use of the trade secret;
- (b) to coerce the defendant to destroy or return any document containing trade secrets;
- (c) to coerce the defendant to provide information about the trade secrets disclosed to third parties;
- (d) to coerce the defendant to compensate any patrimonial and/or moral damages occurred following the acquisition and/or disclosure and/or use of the trade secret;
- (e) to coerce the defendant to publish the court decision in a newspaper.
- (f) to coerce the defendant not to use in the course of its trade any goods resulted from the use of the trade secret or to destroy said goods.

*Grounded on administrative liability* stipulated by the Unfair Competition Law, the trade secret violations may also be remedied by sanctioning with administrative fines ranging from Lei 1000 to Lei 15.000, if such violations are deemed as administrative offences.

*Grounded on criminal liability*, the trade secret violations as criminal offences of "disclosure, acquisition or use of a trade secret by third parties, without the consent of the legitimate owner of such trade secret, as a result of an action of commercial or industrial espionage" and "disclosure or use of the trade secrets by persons pertaining to public authorities, as well as by persons authorized by the legitimate holders of such secrets for representing them before the public authorities", may be remedied as follows:

*Criminal fine* in amount of Lei 2500 to Lei 5000 for both legal entities and individuals or imprisonment from 6 months to 2 years for individuals; together with one or all of the following actions:

- to coerce the defendant to stop any disclosure or use of the trade secret;
- to coerce the defendant to destroy or return any document containing trade secrets;
- to coerce the defendant to provide information about the trade secrets disclosed to third parties;
- to coerce the defendant to compensate any patrimonial and/or moral damages occurred following the acquisition and/or disclosure and/or use of the trade secret;
- to coerce the defendant to publish the court decision in a newspaper.
- to coerce the defendant not to use in the course of its trade any goods resulted from the use of the trade secret or to destroy said goods.

Moreover, grounded on criminal liability, the violations of trade secret also deemed as professional secrets may be remedied by imprisonment from 3 months to 2 years or criminal fine; and the violations of trade secrets also deemed as economic secrets by imprisonment from 2 to 7 years or from 6 months to 5 years, if the criminal offense of disclosing the economic secret is committed by another person, regardless of the way the data or information was found.

9. Are the remedies identified for your jurisdiction also enforceable against:

- (a) A person who obtains trade secrets in good faith? and/or
- (b) A person who autonomously developed the same information?

The prohibition to disclose trade secrets requires disclosure to be contrary to good faith commercial practices. Therefore, a defendant who acted in good faith may not be held

liable for compensation as well as the one who autonomously developed the same information.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

(hh) While the employee is still employed?

An employer may prevent an employee from misusing or disclosing its trade secrets during its employment with company, by including a confidentiality clause in the individual labour agreement or by concluding a different confidentiality agreement regarding the protection of its confidential information, including trade secrets through which the parties agree, during the performance of the individual labor contract and after its termination, not to provide data or information disclosed to them during the performance of the contract, under the terms and conditions of the internal regulations, of the collective labor agreements and of the individual labor agreements.

(ii) Once the employee has left his employment?

An employer may prevent an employee from misusing or disclosing its trade secrets once the employee has terminated its employment by including a confidentiality clause in the individual labour agreement or by concluding a different confidentiality agreement regarding the protection of its confidential information, including trade secrets, through which the parties agree, after termination of the individual labor contract, not to provide data or information disclosed to them during the performance of the contract, under the terms and conditions of the internal regulations, of the collective labor agreements and of the individual labor agreements.

(jj) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

For both scenarios described in (a) and (b) above, in the Romanian labor agreement, one of the following confidential clauses is used:

*Example 1 - CONFIDENTIALITY CLAUSE*

1. The business of „X „Company and its group, parent company and affiliated companies (collectively referred to as the "Company") involves confidential and proprietary information of various kinds and in various forms, which are important assets of the Company. Such information concerns, among other things:

(a) The names of the Company's dealers, customers and suppliers and the nature of the Company's relationships with its dealers, customers and suppliers,

(b) The Company's computer systems, software, and programs,

(c) Compilations of data and information selected, arranged, and processed by the Company at its considerable expense,

(d) Developments, improvements, processes, procedures, inventions, and trade secrets that are or may be created by the Company in the course of its business, and

(e) Information and materials related to the business, costs, prices, and finances of the Company, and the Company's customer and potential customers; customers and potential customers submit private and confidential materials to the Company for use, reference, handling and processing.

All of this information is referred to collectively as "Company Materials".

It would harm the Company and its customers or potential customers if any Company Materials became known to unauthorized third parties. It would also harm the Company



if any Company Materials developed by the Employee while performing activities for the Company were disclosed and not transferred to the Company. By signing this confidentiality clause, the Employee accepts that this agreement creates obligations which are binding on it.

2. The Employee agrees not to disclose Company Materials to anyone other persons than the Company personnel and the authorized representatives of any of the Company's customers to whom it needs to disclose the Company Materials in the course of its activities for the Company, unless it has the Company's prior written consent to do so. The Employee agrees not to use Company Materials for its own benefit during or after the term of its employment, except as to general know-how gained in rendering services.

3. The Employee agrees to return the Company Materials (and all partial or complete copies thereof) in its possession to the Company upon the termination of its employment irrespective for the manner and reason of the termination.

4. The Employee agrees to voluntarily, promptly, and fully inform the Company in writing of any and all Company Materials and other inventions that it helped develop in whole or in part during its employment with the Company. The Employee agrees to, and hereby does, assign to the Company all of its rights, titles, and interests in any of the Company Materials and any inventions that it helped develop in whole or in part during its employment with the Company. The Employee agrees to provide to the Company, upon its request, any documentation that the Company may reasonably request in order to confirm the Company's ownership of the Company materials and inventions.

5. The rights and obligations under this confidentiality clause inure to and bind the successors and assigns of the Company and the Employee's successors and assigns.

6. The laws of Romania govern the interpretation of this confidentiality clause.

7. No waiver by the Company of any default by the Employee shall prejudice the Company with respect to any subsequent default by the Employee. This confidentiality clause may be amended only in writing by both parties. Nothing in this clause is intended to amend the terms of the employment agreement currently in effect between the Employee and the Company.

8. The failure of the Employee to comply with this clause shall entail the Employee's obligation to indemnify the Employer for any and all damages incurred."

#### *Example 2- CONFIDENTIALITY CLAUSE*

1.1. The Employee shall not disclose any know-how, confidential information (including business, financial and other information) or other trade (business) secrets, or any vital information regarding the Employer and its operation which may become known to him or her while carrying out his or her work, neither during the term of this Agreement nor any time following its termination. In addition, neither during the term of this Agreement, nor any time following its termination can he or she disclose information to any third parties that may have become known to him or her while performing his or her work duties, and the disclosure of which would have detrimental consequences on the Employer or any other persons.

1.2. The provisions of Section 1.1 shall have full effect following the termination of this Agreement, regardless of the reason or manner of the termination of this Agreement.

1.3. The failure of the Employee to comply with this clause shall entail the Employee's obligation to indemnify the Employer for any and all damages incurred." »

Considering that:

- trade secrets are part of the confidential information protected in practice only through a confidentiality clause/agreement in commercial contractual relation between traders or in labour contractual relationship between companies and their employees; and
- in the Romanian practice, a hierarchy of confidential information is not acknowledged,

we believe that, in general, Romanian courts do not distinguish between 'real' trade secrets and general information that happens to be confidential.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

The goal of any civil, administrative or criminal trial is justice, which is done in three ways: restoring justice and equity, protecting individual rights and liberties, educating citizens by discouraging anti-social offending conduct, preventing society members on the concrete consequences of violations of law. However, the following must be noted:

- each and every civil, administrative or criminal remedy is meant to restore lawfulness;
- administrative remedies only imply administrative fines which are, in the end, part of the state budget and which are not real compensation for the party whose trade secret was disclosed or unrightfully used by the defendant;
- both, civil and criminal actions may be remedied by compensation for patrimonial and/or moral damages sustained following the disclosure of the trade secret by the defendant;
- only criminal actions may be remedied by imprisonment or criminal fines together with compensation for patrimonial and/or moral damages sustained following the disclosure of the trade secret by the defendant;
- under certain circumstances, it may be easier to demonstrate the illicit nature of a trade secret disclosure in order to claim damages grounded on non-contractual civil liability than to demonstrate the criminal nature of such disclosure in order to claim damages grounded on criminal liability;
- according to Romanian law, civil action for claiming damages are subject to the stamp tax calculated as a certain percentage from the amount claimed as damages. But, if the claim for damages is submitted in a criminal action, such stamp tax is no longer required, the plaintiff being exempted from paying it.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

The Romanian companies are using confidentiality (non-disclosure) clauses in the agreements concluded between them in their trade and in the labor agreements with the employees or confidentiality agreements.

13. With regards to non disclosure and non use agreements:

- Are they effective and enforceable in your jurisdiction?

The non-disclosure agreement is not regulated as an agreement with a specific legal regime by the Romanian legislation. Consequently, the provisions applicable on non-disclosure agreements are general contractual law provisions. The only provisions which are expressly stipulated are the ones provided by the labor code on the non-disclosure clause. Non-use agreements are not regulated as special agreements by law and also, there is no practice for Romanian jurisdiction in this matter.

- If so, is prevailing enforcement provided by contract law, unfair competition law, other?

As mentioned above, non-disclosure agreements are enforceable in Romania based on the general rules provided by the contractual law. Moreover, as it is stipulated in the labor code, a non-disclosure agreement or a non-disclosure clause may be concluded

between the employee and the employer before or during the labor agreement performance.

- Does the US doctrine of inevitable disclosure exist in your jurisdiction?

The U.S. doctrine of inevitable disclosure does not exist in the Romanian jurisdiction, on the contrary, the Romanian literature states that no person may be prevented from using its own gained professional experience as a consequence of the principle that the right to work can not be restricted.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

The Romanian Law on Private International Relationship<sup>113</sup> together with Council Regulation (EC) No 44/2001<sup>114</sup> - *Regulation 44* - states general rules on the cross-border litigation applicable to Romanian jurisdiction.

As a result, the following should be noted in respect to the litigations which may be tried by the Romanian courts of law:

- (i) According to *Regulation 44*, in the field of non-contractual liability, Romanian courts are competent if the Romanian territory is the place where the harmful event occurred or may occur, considering that also the infringer resides in one of the Member state; (situations (b) and (c) from the above);
- (ii) According to *Regulation 44*, in the field of labor law, Romanian courts are competent to judge the claim submitted by the employer having as object the liability of the employee domiciled in Romania for breaching the contractual non-disclosure clause, given that also the infringer is from one of the Member state ;( situations (b) and (c) from the above);
- (iii) According to Romanian Law on Private International Relationship, in the field of non-contractual liability, Romanian courts are competent if the Romanian territory is the place where either an event from which arises non-contractual obligations occurred or effects of an event occurred, given that the infringer resides in other state than a Member state, (situations (b) and (c) from the above).

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection

<sup>113</sup> Law 105/1992 on Private International Relationship

<sup>114</sup> Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters

afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

Romanian legislation does not stipulate specific provisions on enforcement of foreign judgments on trade secrets, but stipulates general provisions on enforcement of foreign judgments. Consequently, according to the Romanian Law on Private International Relationship, foreign decisions can be acknowledged in Romania, to the benefit of *res judicata* if the following conditions are met:

- (a) the decision is final, where state law was passed;
- (b) a court has ruled, according to law, on the jurisdiction to hear the process;
- (c) there is reciprocity in the effects of foreign judgments between Romania and the court which issued the decision.

If the decision was delivered in the absence of the party who lost the case, it also should be noted that the summons was handed in time for the debating on the merits, as well as a document instituting the proceedings and giving the opportunity to defend and exercise the appeal against the decision. The interim nature of the foreign decision, deriving from the omission of summons of the interested person who did not participate in foreign court trial, can only be claimed by such person. Foreign decisions, which are not executed voluntarily by those forced to execute them, can be enforced in Romania, based on the approval of the county court in the jurisdiction of which the execution is to be carried out at the request of the interested person. Foreign decisions by which precautionary measures were taken and those with interim enforcement cannot be enforced in Romania.

Furthermore, *Regulation 44* sets forth certain provisions on the enforcement of judgments pronounced in Member States. Consequently, a judgment passed in a Member State is to be acknowledged in Romania without any special procedure being required. "Judgment" means any judgment given by a court or tribunal of a Member States, whatever the judgment may be called, including a decree, order, decision or writ of execution. Under no circumstances may a foreign judgment be reviewed as to its substance. A judgment is to be enforced in Romania, when, on the application of any interested party, it has been declared enforceable. The parties may file an appeal against a decision based on an application for the declaration of enforceability.

## **Slovak Republic**

### A. APPLICABLE REGULATORY FRAMEWORK

1. The legislation of the Slovak Republic does provide specific provisions on the protection of trade secrets. The protection of trade secrets is regulated by the Commercial Code and the Penal Code in the Slovak Republic.
2. Provisions on protection of trade secrets are contained in:
  - Articles 17 to 20 of the Act No.513/1991 Coll. „Commercial Code“
  - Article 44 of the Act No. 513/1991 Coll. „Commercial Code“
  - Article 50 of the Act No.513/1991 Coll. „Commercial Code“
  - Articles 53 and 55 of the Act No.513/1991 Coll. „Commercial Code“
  - Article 250 of the Act. No. 300/2005 Coll. "Penal Code"
  - Article 264 of the Act. No. 300/2005 Coll. "Penal Code"

The text of the relevant provisions in Slovak language and its translation into English is enclosed.

The provisions of Articles 17 to 20 of the Commercial Code provide the definition of trade secrets and define rights of its owner. These provisions provide a general protection to trade secrets and the protection is legally granted in the field of civil law, commercial law, intellectual property law, non contractual liability.

The provision of Article 44 of the Commercial Code provides for fundamental definition of unfair competition conduct and establishes that unfair competition is prohibited.

The provision of the Article 50 of the Commercial Code is a special provision falling within provisions dealing with unfair competition. It can be applied to cases where a competition relationship exists between the parties. The protection is legally granted in the field of unfair competition law.

The provisions of Articles 53 and 55 of the Commercial Code specify remedies that are available for trade secrets infringement. The protection is legally granted in the field of civil law, commercial law, intellectual property law, non contractual liability and unfair competition law.

Article 122 of the Slovak Penal Code defines and sets penalties for the criminal offence of unfair competition conduct under which also trade secrets violation belongs. The protection by this provision is legally granted in the field of criminal law, unfair competition law.

It is necessary to note, that in the Slovak Republic criminal responsibility applies to natural persons only. Criminal responsibility of companies does not exist in the Slovak law.

The provision of Article 264 of the Slovak Penal Code provides for a general and direct protection of trade secrets. This provision applies to a person (natural person only) that

- spies the trade secrets with the intention to disclose it to an unauthorized person or
- is informed of the content of trade secrets and knows that this information is considered trade secrets and despite these facts discloses this information to an unauthorized person.

The protection by this provision is legally granted in the field of criminal law.

The only definition of trade secrets in the Slovak jurisdiction is contained in the Art. 17 of the Commercial Code. This definition is used for all fields of law in which trade secrets protection is granted. All other laws containing provisions about trade secrets (for example Law on Protection of Economic competition, Penal Code, etc.) refer to the definition contained in the Commercial Code.

3. Not applicable.
4. There is no legal definition of intellectual property and subjects falling within this term in the Slovak jurisdiction. Some authors consider trade secrets to be intellectual property, some not. However it can be said that the opinion that trade secrets are considered to be intellectual property and are protected as an intellectual property right is prevailing in the Slovak Republic. The Commercial Code as one of the Acts that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) is applicable to the protection of trade secrets.
5. There are no special types of trade secrets recognized by the Slovak law. All assets that meet requirements of Art. 17 of the Commercial Code are considered to be trade secrets and are protected as trade secrets.
6. We are of the opinion that the protection of trade secrets granted by law in Slovakia is on a standard level, is satisfactory and provides for a good protection to trade secrets. There are no current proposals for new legislation in this field in Slovakia.
7. First of all it is necessary to point out that the Slovak law system is not based on case-law. The courts and other authorities decide in each case independently taking into account all relevant aspects and circumstances of the case. Only the selected decisions of the Supreme Court of the Slovak Republic are partially taken into account by lower courts. There are only several such decisions in Slovakia as the case reaches the Supreme Court only rarely when extraordinary remedies are filed.

Decisions of the Supreme Court of the Slovak Republic relating to trade secrets:

- Decision of the Supreme Court of the Slovak Republic No. 1Sžo/103/2008 of September 8, 2009. The court reviewed the legitimacy of administrative proceedings and administrative decision issued. The court confirmed the decision of the appellate court reasoning that in order to be protected trade secrets has to fulfill requirements set in the Commercial Code; it is not sufficient that parties to the agreement agree that some information is trade secrets.
- Decision of the Supreme Court of the Slovak Republic No. 6Obdo 26/2007 of August 7, 2008. The court reviewed the decision of the lower court in commercial matter. The court confirmed the decision of the appellate court reasoning that if the shareholder requests information about company's economy the company (its representatives) can not refuse to provide such information reasoning that it is a trade secret.
- Decision of the Supreme Court of the Slovak Republic No. 6Obdo 10/2009 of September 30, 2009. The court reviewed the decision of the lower court in commercial matter. The lower court dismissed the legal action claiming unfair competition conduct and breach of trade secrets. The Supreme court confirmed the lower court's decision.

- Decision of the Supreme Court of the Slovak Republic No. 3SŽ 16/2004 of April 8, 2005. The court reviewed the legitimacy of administrative proceedings and administrative decision issued. The court repealed the lower court's decision and returned the matter for further proceedings and decision reasoning that the agreement of the parties that some information will be considered as trade secret is not sufficient in order to be protected as trade secrets.

Further according to the statistics of the Ministry of Justice of the Slovak Republic, there were 3 court actions relating to trade secrets filed in the Slovak Republic in 2010, 4 cases in 2009 and 11 cases in 2008.

There is no more detailed information regarding these cases readily available as the court decisions are publicly available only since the beginning of 2012. The court decisions before this date will be added to the system subsequently within several years.

8. As far as we know there exist no Slovak literatures, studies or surveys specifically dealing with trade secrets. Various commentaries to the Commercial Code provide only short general explanations regarding trade secrets and their protection, for example:
  - Prof. Ovečková, O., Commercial Code, Commentary, Iura Edition Bratislava, 2005, pp. 54 and following
  - Prof. Suchoža and others, Commercial Code and Relating Legal Enactments, Commentary, Eurounion Bratislava, 2003

## B. LITIGATION AND ENFORCEMENT

1. In order to commence legal proceedings for infringement of trade secrets it is necessary to file a legal action against the alleged infringer (natural person or legal entity) at the respective court. In the legal action the plaintiff has to substantiate that the disclosed or misused information falls within the scope of his trade secrets as defined in Article 17 of the Commercial Code. Further the plaintiff has to prove that these trade secrets have been disclosed or misused by the defendant or infringed by the defendant in another way. The plaintiff has to substantiate his arguments by submitting the relevant documents (proofs). The Slovak legislation does not set any obligatory steps that have to be taken by the plaintiff with regard to the defendant before commencing the legal proceedings.
2. As regards civil remedies, the plaintiff whose trade secrets have been infringed may demand:
  - the prohibition of further action by which his trade secrets are being infringed;
  - removal of consequences of the trade secrets violation;
  - compensation of damages;
  - surrendering of unjustified enrichment;
  - an appropriate compensation for trade secrets infringement (by apology and/or by monetary compensation).
 The above cited remedies are cumulative.
3. Yes, in the Slovak Republic it is possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the defendant to provide information as to the whereabouts of documents and files containing such data. A request for such an order has to be filed with the court and has to be properly substantiated. A request for such an order has to be filed with the court and has to be properly substantiated. The Police department

enforces such an order. However it is necessary to point out that such orders are routine in the criminal proceedings. In civil proceedings they are very unusual and exceptional, however still possible under the law.

4. The main difficulty of obtaining trade secrets legal protection is the length of the court proceedings and very low damages awarded. When the claimant finally reaches the final decision his rights are irreparably harmed and he usually gets only very low damages. In many cases he does not receive any factual compensation at all as the infringer at the time of a final decision does not exist anymore as a company.

In order to obtain trade secrets legal protection, the owner of trade secrets has to file a court action. Before or together with the court action the claimant can request issuing a preliminary injunction. Prior to the trial, the court may issue a preliminary injunction if the situation of the parties must be temporarily adjusted or if it fears that the execution of the judicial decision could be endangered. The court shall decide to issue a preliminary injunction without undue delay, not later than 30 days from the filing of application for a preliminary injunction.

The court may issue a preliminary injunction with a view to

- preventing the defendant from disposing with certain assets or rights;
- ordering the defendant to do something, to abstain from doing something, or to suffer something to be done;
- ordering the defendant to refrain from acting by which he endangers or infringes intellectual property right.

When the court issues a preliminary injunction, it requests the claimant to file a petition to commence proceedings within the time limit specified by the court. The preliminary measure shall cease to be in effect

- a) if the claimant does not file a petition to commence proceedings within the specified time;
- b) if the petition is dismissed;
- c) fifteen days from the date of enforceability of the decision on merits if the petition is granted;
- d) upon expiry of the period of time for which it was issued.

Prior to hearing the case on the merits, the court acting on a motion may secure evidence if it fears that it would be impossible or very difficult to take evidence at a later date. Evidence shall be secured by the presiding judge in a manner prescribed for the specific type of evidence in question.

The claimant has to participate in the proceedings. He has the burden of proof. The average duration of proceedings from initiating the claim to the decision of the first instance court is about 5 years. When the appeal is filed the proceedings at the second instance take approximately further 2 years. The costs of the proceedings are composed of the court fee, fee of the proofs and fee of attorney at law. The court fee and attorney fee is very much dependent on the amount of damages requested. Very rough estimation can be about EUR 5000.

When the case involves technical trade secrets one or more technical experts of the relevant field are invited to give their written opinion.

In general hearings are held in public in Slovakia. Public may be excluded from the hearing in whole or in part if public hearing of the case could endanger state, business, trade or professional secrecy, important interest of the parties or morality. In such case, however, the court may permit individual persons to attend the hearing, instructing them of their obligation to keep confidential all



information they learned at the hearing about any secret information, business information and business interests of the parties.

As already mentioned above according to the statistics of the Ministry of Justice of the Slovak Republic, there were 3 court actions relating to trade secrets filed in the Slovak Republic in 2010, 4 cases in 2009 and 11 cases in 2008.

There is no more detailed information regarding these cases readily available as the court decisions are publicly available only since the beginning of 2012. The court decisions before this date will be added to the system subsequently within several years.

5. The defendant usually claims that the information, documents or any other asset in question does not meet conditions of Art. 17 of the Commercial Code (definition of Trade Secrets) and therefore does not enjoy legal protection as trade secret.
6. All requisites for trade secrets set forth in Art. 17 of the Commercial Code are of the same power/value. All of them have to be fulfilled at the same time in order to grant protection to trade secrets.
7. At plaintiff's request the court can award damages to the plaintiff. The damages include direct damage, lost profit and compensation for immaterial damage (apology or monetary compensation). All of them have to be properly calculated and evidenced. Direct damage is an actual loss caused by trade secrets violation. Lost profit is an estimate of the total sum of money lost due to breach of trade secrets by an infringer. As regards compensation for immaterial harm it has to be supported by reasoning and evidence what kind and extend of immaterial harm the plaintiff suffered. The direct damage and lost profit shall be awarded in actual amount. The compensation for immaterial harm shall be appropriate; the court is entitled to lower the requested amount if it considers the compensation inappropriate. Punitive damages are not available for breach of trade secrets. The average quantity of awarded damages in civil proceedings in Slovakia can be estimated to approximately EUR 5000.
8. No, Slovak legislation do not distinguish the case of trade secret violations resulting from breach of contract obligations from trade secrets violations resulting from fraud or other improper actions. However, under contract it is possible to protect also other confidential information, not only those complying with the definition of trade secrets contained in the Commercial Code which enjoy legal protection without need of any further action to be taken.
9. No, remedies are not enforceable against person who obtains trade secrets in goods faith or against a person who autonomously developed the same information.
10. As regards the issue of preventing employee from misusing or disclosing trade secrets of the employer, the employer's main interest is to be protected
  - against eventual misuse of confidential information which the employee has access to and
  - against the performance of the gainful employment for another employer during employment.

The employee during his employment reaches a certain degree of skills and knowledge about the activities and production of the employer and his working process and in particular gains information that can mean a significant

competitive advantage against other subjects of the competition and can affect the economic competition.

The protection of the employer against performance of the gainful employment for another employer is contained in the Slovak Labor Code (Act No. 311/2011 Coll). The Art.83 of the Labor Code states that the employee is obliged to inform the employer in writing that he intends to perform another gainful activity that could be competitive to employer's activities. The employer is entitled to ask the employee to refrain from performing another gainful activity that could be competitive to employer's activities. The employer has to perform this right in writing in 10 days from the notification by the employee. The breach of this obligation by the employee is considered as a breach of work discipline of a serious nature with the consequence of possibility to terminate the employment.

Article 81 letter f) of the Slovak Labor Code contains the obligation of the employee to keep confidential all information and facts he get to know during employment and which in the interest of the employer can not be disclosed to third persons. It is the broader term than the definition of trade secrets contained in the Commercial Code and enables broader protection of the employer.

The main difference is in the possibilities of employer's protection after termination of the employment contract against misuse of trade secrets according to the Commercial Code and confidential information according to the Labor Code. The obligation to keep secret trade secrets lasts also after the employment contract is terminated. However the employee's obligation according to the Article 81 letter f) of the Labor Code to keep certain information confidential terminates with the termination of the employment contract. Considering the structure of the relevant provision of the Labor Code it is not possible to contractually secure the confidentiality obligation after the termination of the employment contract. However the use of the information which does not meet conditions set for the trade secrets in a way detrimental to the employer after termination of the employment contract can be considered as an unfair competition conduct and the employer can use the means of protection against unfair competition.

Here is an example of contractual clause which can be included in an employment contract:

*An employee must not disclose information he has learned on the job with an employer or in connection with the foregoing, and may not communicate it or otherwise make it available to third parties. The employee undertakes not to exploit information he has learned on the job with an employer or in connection with it for his own benefit or that of others, and these facts will be used only in the work of the employer.*

*Protected information and facts are primarily but not exclusively, the information constituting a trade secret of the employer, namely:*

- *confidential information*
- *information relating to particular areas of the employer, as the organization and structure of the employer, its management, investment objectives and plans of its development, information on the processed data, technical and marketing activities and other matters specified in the lists of classified information,*
- *schemes, specific tables, storage media for information - process systems, documents, contracts, reports, lists of permanent or potential partners, partners, and lists the characteristics of contractual relations, manuals, and offer any suggestions, plans, correspondence, forms, verification of documents and other samples documents recorded on other media*
- *any confidential information of the commercial and non-commercial negotiations, agreements, contracts or other documents showing the provision of*

*confidential information, respectively possibility of obtaining such information, other parts of the documents adopted, provisions or additional protocols, which include:*

*- description of the classified information which the parties give to each other, guarantees of the parties that the negotiations are lead by the persons designated, the guarantee of the parties to that information will only serve the need of the Contracting Parties and will not be disclosed to other persons except those present at the meeting and shall not be disseminated whether in the course of contract case or after its termination, the Contracting Parties guarantee that all materials that contain any confidential information (reports, workflows, logic diagrams, plans, statistics, computer programs or other materials) will not be used for not related to the contract awarded and could not be used for any other purpose without the written consent of the other party, the guarantee of contract parties to recover in the foregoing, if the parties so agree,*

*- information about the company's employees, information on salaries / wages and any other information concerning the employer.*

*The employee is required to protect against loss, destruction, damage, misuse, and unauthorized disposition of all tangible and intangible assets of the employer. An employee may not without prior consent of the employer to use the employer's property in his favor or in favor of other natural or legal persons.*

*Proprietary nature of the employer are movable and immovable property, intellectual property rights corresponding to such particular computer programs, price lists, catalogs, processes, manufacturing techniques and other knowledge (know-how), industrial property rights, trademarks, patents, utility models, protected designation of origin, trade name.*

*The employee undertakes not to harm the reputation of the employer.*

*Breach of the obligations specified in this section shall be considered misconduct seriously and is grounds for immediate termination of employment by the employer. Breach of the obligations specified in this section shall be considered intentional act to cause harm to the employer.*

*At the same time in the event of any breach of obligations and commitments assumed above employee takes note that he breaches of labor discipline seriously and the employer may apply to him the following sanctions:*

- the possibility of immediate termination of employment due to serious professional misconduct under sec. Ods.1 § 63, letter e) of the Labour Code,*
- submit to the court an action requesting that the consequences of its violation of the rights of the employer are removed at employee's expense,*
- submit to the appropriate court a legal action for compensation of damage incurred and demand appropriate satisfaction,*
- make a complaint if there is suspicion that that the conduct of the employee is a criminal offense.*

11. Administrative remedies for breach of trade secret are not available in the Slovak jurisdiction. As regards civil remedies, in the civil court proceedings the owner of trade secrets can request prohibition of unlawful conduct and removal of consequences of this conduct. He can also request damages which include direct damage, lost profit and compensation for immaterial damage (apology or monetary compensation). However in civil proceedings the infringer is not really "punished" except from the obligation to pay damages. In criminal proceedings the infringer is punished for his unlawful conduct, however in such complicated cases as the breach of trade secrets undoubtedly is, the court does not decide on

damages in criminal proceedings but refers the right holder to lodge a claim for damages in civil proceedings.

12. The most common practical solutions adopted by Slovak companies are factual concealment of trade secrets and non-disclosure agreements. Non-disclosure agreements are enforceable as any other agreements under civil and commercial law.
13. Yes, non disclosure and non use agreements are effective and enforceable in Slovakia. Enforcement provided by contractual law is prevailing. The doctrine of inevitable disclosure does not exist in Slovakia.
14. Tort claims shall be governed by the law of the place where the damage or the harmful event occurred. Slovak courts have jurisdiction if the defendant has his residence or seat in the Slovak Republic. Slovak courts also have jurisdiction
  - in matters relating to tort, delict or quasi-delict if the harmful event occurred, or could have occurred, in the Slovak Republic.
  - in civil claims for damages arising out of a criminal offence if the prosecution is conducted by Slovak authorities.
  - in disputes arising out of operation of a branch, agency or other establishment of a legal entity if that branch, agency or other establishment is situated in the Slovak Republic.
15. With regards to enforcement of foreign judgments on trade secrets in Slovakia, the courts do not inspect or review the subject matter of the case. If the formal requirements for enforcement of foreign judgment are met the court recognized the judgment as enforceable.

Articles 17 to 20 of the Act No. 513/1991 Coll. „Commercial Code“

Slovak	English
Diel V Obchodné tajomstvo § 17 Predmetom práv patriacich k podniku je aj obchodné tajomstvo. Obchodné tajomstvo tvoria všetky skutočnosti obchodnej, výrobnjej alebo technickej povahy súvisiace s podnikom, ktoré majú skutočnú alebo aspoň potenciálnu materiálnu alebo nemateriálnu hodnotu, nie sú v príslušných obchodných kruhoch bežne dostupné, majú byť podľa vôle podnikateľa utajené a podnikateľ zodpovedajúcim spôsobom ich utajenie zabezpečuje.  § 18 Podnikateľ prevádzkujúci podnik, na ktorý sa vzťahuje obchodné tajomstvo, má výlučné právo, ak osobitný zákon neustanovuje niečo iné, s týmto tajomstvom nakladať, najmä udeliť dovolenie na jeho využitie a určiť podmienky takého využitia.	Division V Trade Secrets Art. 17 The rights belonging to an enterprise shall also include its trade secrets. Trade secrets consist of all business, manufacturing and technological facts related to the enterprise with actual, or at least potential, tangible or intangible value. Trade Secrets are not normally available in the appropriate industry and should not be disclosed without the entrepreneur's consent, providing the entrepreneur adequately ensures such non-disclosure.  Art. 18 Unless otherwise stipulated by a special Act, an entrepreneur running an enterprise subject to the applicable provisions on trade secrets enjoys the exclusive right to dispose of his enterprise's trade secrets, in particular to authorize their use by a third party and determine the terms and the conditions of such use.

<p>§ 19 Právo k obchodnému tajomstvu trvá, pokiaľ trvajú skutočnosti uvedené v § 17.</p> <p>§ 20 Proti porušeniu alebo ohrozeniu práva na obchodné tajomstvo prislúcha podnikateľovi právna ochrana ako pri nekalej súťaži.</p>	<p>Art. 19 The right to a trade secret shall last as long as the conditions stipulated in § 17 remain in force and effect.</p> <p>Art. 20 The entrepreneur is entitled to the same legal protection to which he is entitled in case of unfair competition against any violation or impairment of the right to trade secret.</p>
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Article 44 of the Act No. 513/1991 Coll. „Commercial Code“

Slovak	English
<p>Diel II                      Nekalá súťaž                      § 44                      Základné ustanovenia</p> <p>(1) Nekalou súťažou je konanie v hospodárskej súťaži, ktoré je v rozpore s dobrými mravmi súťaže a je spôsobilé privodiť ujmu iným súťažiteľom alebo spotrebiteľom. Nekalá súťaž sa zakazuje.</p> <p>(2) Nekalou súťažou podľa odseku 1 je najmä:</p> <ul style="list-style-type: none"> <li>a) klamlivá reklama,</li> <li>b) klamlivé označovanie tovaru a služieb,</li> <li>c) vyvolávanie nebezpečenstva zámeny,</li> <li>d) parazitovanie na povesti podniku, výrobkov alebo služieb iného súťažiteľa,</li> <li>e) podplácanie,</li> <li>f) zľahčovanie,</li> <li>g) porušovanie obchodného tajomstva,</li> <li>h) ohrozovanie zdravia spotrebiteľov a životného prostredia.</li> </ul>	<p>Division II                      Unfair Competition                      Art. 44                      Fundamental Provisions</p> <p>(1) Unfair competition shall be such competitive conduct that is contrary to the standard practices of competition and that may be detrimental to other competitors or consumers.                      Unfair competition is prohibited.</p> <p>(2) The following conduct is mainly regarded as unfair competition:</p> <ul style="list-style-type: none"> <li>a) Deceptive advertising;</li> <li>b) Deceptive description of goods and services;</li> <li>c) Misrepresentation;</li> <li>d) Benefitting from the exploitation of a competitor's reputation;</li> <li>e) Bribery;</li> <li>f) Defamation;</li> <li>g) Breach of trade secrets;</li> <li>h) Endangering of health and the environment.</li> </ul>

Article 51 of the Act No. 513/1991 Coll. „Commercial Code“

Slovak	English
<p>§ 51 Porušenie obchodného tajomstva</p> <p>Porušovaním obchodného tajomstva je konanie, ktorým konajúci inej osobe neoprávnene oznámi, sprístupní, pre seba alebo pre iného využije obchodné tajomstvo (§ 17), ktoré sa môže využiť v súťaži a o ktorom sa dozvedel:</p> <p>a) tým, že sa mu tajomstvo zverilo alebo inak stalo prístupným (napr. z technických predlôh, návodov, výkresov, modelov, vzorov) na základe jeho pracovného vzťahu k súťažiteľovi alebo na základe iného vzťahu k nemu, prípadne v rámci výkonu funkcie, na ktorú ho súd alebo iný orgán povolal,</p> <p>b) vlastným alebo cudzím konaním priečiacim sa zákonu.</p>	<p>Art. 51 Breach of Trade Secrets</p> <p>A violation of trade secrets is conduct where an acting person informs, provides access to or exploits without authorization for the acting person's or someone else's benefit a trade secret (§17) that may be used for the purposes of competition, and the acting person has learned of the trade secret in question:</p> <p>a) by having been entrusted with that secret or by having gained access to it (through technical documentation, instructions, drawings, models, or patterns) on the basis of employment or another relationship with the competitor, or within the framework of performance of an office, to which the acting person was appointed by the court or by another authority; or,</p> <p>b) through his own or someone else's unlawful conduct.</p>

Articles 53 and 55 of the Act No. 513/1991 Coll. „Commercial Code“

Slovak	English
<p>Diel III Právne prostriedky ochrany proti nekalej súťaži</p> <p>§ 53 Osoby, ktorých práva boli nekalou súťažou porušené alebo ohrozené, môžu sa proti rušiteľovi domáhať, aby sa tohto konania zdržal a odstránil závadný stav. Ďalej môžu požadovať primerané zadostučinenie, ktoré sa môže poskytnúť aj v peniazoch, náhradu škody a vydanie bezdôvodného obohatenia.</p> <p>§ 55 (1) Pri ústnych pojednávaniach v sporoch podľa predchádzajúcich ustanovení môže byť rozhodnutím súdu na návrh alebo z úradnej moci vylúčená verejnosť, ak by verejným prejednávaním došlo k ohrozeniu obchodného tajomstva alebo verejného záujmu.</p> <p>(2) Súd môže účastníkovi, ktorého návrhu sa vyhovel, priznať v rozsudku právo uverejniť rozsudok na trovy účastníka, ktorý v spore neuspel, a podľa okolností určiť aj rozsah, formu a spôsob uverejnenia.</p>	<p>Division III Legal Protection against Unfair Competition</p> <p>Art. 53 Persons whose rights have been impaired or endangered by unfair competition may demand that the perpetrator abstain from his conduct and remedy the objectionable state of affairs. They may further demand appropriate relief that may be granted in cash, indemnities and the forfeit of the unjustified profit.</p> <p>Art. 55 (1) The court may decide upon a proposal or <i>ex officio</i> to exclude the public from hearings during lawsuits under the above provisions whenever a public hearing would prejudice trade secrets or the public interest.</p> <p>(2) In its ruling, the court may recognize the right of the winning party to publicize such a ruling at the expense of the losing party. Depending on the circumstances, the court shall determine the extent, form and manner of publicizing the said ruling.</p>



## Slovenia

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Trade secrets are specifically protected by the following acts:

- Companies Act (*Slovenian: »Zakon o gospodarskih družbah«*; Official Gazette of the Republic of Slovenia, No. 65/2009 as amended; hereinafter: "Companies Act");
- Employment Relationship Act (*Slovenian: »Zakon o delovnih razmerjih«*; Official Gazette of the Republic of Slovenia, No. 42/2002; hereinafter: "Employment Relationship Act");
- Penal Code of the Republic of Slovenia (*Slovenian: »Kazenski zakonik«*; «; Official Gazette of the Republic of Slovenia, No. 55/2008; hereinafter: "Penal Code");
- Code of Obligations (*Slovenian: »Obligacijski zakonik«*; Official Gazette of the Republic of Slovenia, No. 83/2001; hereinafter: Code of Obligations);
- Protection of Competition Act (*Slovenian: »Zakon o varstvu konkurence«*; Official Gazette of the Republic of Slovenia, No. 110/2002 as amended; hereinafter: "Protection of Competition Act").

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

The definition of trade secrets which is generally acknowledged as the most important is set out in Article 39 of Companies Act.

Slovenian	English
<p>39. člen ZGD (pojem poslovne skrivnosti)</p> <p>(1) Za poslovno skrivnost se štejejo podatki, za katere tako določi družba s pisnim sklepom. S tem sklepom morajo biti seznanjeni družbeniki, delavci, člani organov družbe in druge osebe, ki morajo varovati poslovno skrivnost.</p> <p>(2) Ne glede na to ali so določeni s sklepi iz prejšnjega odstavka, se za poslovno skrivnost štejejo tudi podatki, za katere je očitno, da bi nastala občutna škoda,</p>	<p>Article 39 of the Companies Act (The concept of a trade secret)</p> <p>(1) A trade secret shall be deemed to be data so determined by the company in a written resolution. The members, employees, members of management bodies of a company and other persons obliged to protect trade secrets shall be acquainted with this resolution.</p> <p>(2) Irrespective of whether it is covered in a resolution under the preceding paragraph of this article, any data whose disclosure to an unauthorized person</p>

<p>če bi zanje izvedela nepooblaščen oseb. Družbeniki, delavci, člani organov družbe in druge osebe so odgovorni za izdajo poslovne skrivnosti, če so vedeli ali bi morali vedeti za tako naravo podatkov.</p> <p>(3) Za poslovno skrivnost se ne morejo določiti podatki, ki so po zakonu javni ali podatki o kršitvi zakona ali dobrih poslovnih običajev.</p>	<p>would clearly cause substantial damage shall also be deemed to be a trade secret. The members, employees, members of management bodies of the company and other persons shall be liable for any disclosure of a trade secret if they knew or should have known that the data was of such nature.</p> <p>(3) Information defined by law as public or information about violations of the law or fair business practice may not be determined as trade secrets.</p>
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The protection of trade secrets as defined by Companies Act is secured through the provisions of the Companies Act itself. Also, the protection is guaranteed through the provisions of labor law, criminal law, civil law and competition law. Please, find the relevant provisions in the table below.

Slovenian	English
<p>40. člen ZGD (varstvo poslovne skrivnosti)</p> <p>(1) S pisnim sklepom iz prvega odstavka prejšnjega člena družba določi način varovanja poslovne skrivnosti in odgovornost oseb, ki morajo varovati poslovno skrivnost.</p> <p>(2) Podatke, ki so poslovna skrivnost družbe, morajo varovati tudi osebe zunaj družbe, če so vedele ali če bi glede na naravo podatka morale vedeti, da je podatek poslovna skrivnost.</p> <p>(3) Prepovedano je ravnanje, s katerim bi osebe zunaj družbe poskušale v nasprotju z zakonom in voljo družbe pridobiti podatke, ki so poslovna skrivnost družbe.</p>	<p>Article 40 of the Companies Act (Protection of a trade secret)</p> <p>(1) In a written resolution under the first paragraph of the preceding article the company shall determine the method of protecting trade secrets and the responsibility of persons obliged to protect trade secrets.</p> <p>(2) Persons outside a company shall also be obliged to protect data constituting a trade secret of the company if they knew or, given the nature of the data, should have known that it was a trade secret.</p> <p>(3) Any actions by which persons outside a company attempt in contravention of the law and the will of the company to obtain data constituting a trade secret shall be prohibited.</p>
<p>263. člen ZGD (skrbnost in odgovornost)</p> <p>(1) Član organa vodenja ali nadzora mora pri opravljanju svojih nalog ravnati</p>	<p>Article 263 of the Companies Act (Diligence and responsibilities)</p> <p>(1) In performing their tasks on behalf of the company, the members of the</p>

<p>v dobro družbe s skrbnostjo vestnega in poštenega gospodarstvenika in varovati poslovno skrivnost družbe.</p> <p>(2) Člani organa vodenja ali nadzora so solidarno odgovorni družbi za škodo, ki je nastala kot posledica kršitve njihovih nalog, razen če dokažejo, da so pošteno in vestno izpolnjevali svoje dolžnosti.</p> <p>(3) Članu organa vodenja ali nadzora ni treba povrniti škode, če dejanje, s katerim je bila družbi povzročena škoda, temelji na zakonitem skupščinskem sklepu. Odškodninska odgovornost člana posloводства ni izključena, čeprav je nadzorni svet ali upravni odbor odobril dejanje. Družba se odškodninskimi zahtevkom lahko odreče ali jih pobota šele tri leta po nastanku zahtevka, če s tem soglašajo skupščina in če temu pisno ne ugovarja manjšina, ki ima skupno vsaj desetino osnovnega kapitala.</p> <p>(4) Odškodninski zahtevek, ki ga ima družba do člana organa vodenja ali nadzora, lahko uveljavljajo tudi upniki družbe, če jih družba ne more poplačati.</p>	<p>management or supervisory body must act with the diligence of a conscientious and fair manager and protect the trade secrets of the company.</p> <p>(2) The members of the management or supervisory body shall be jointly and severally liable to the company for damage arising as a consequence of a violation of their tasks, unless they demonstrate that they fulfilled their duties fairly and conscientiously.</p> <p>(3) Members of the management or supervisory body shall not have to reimburse the company for damage if the act that caused damage to the company was based on a lawful resolution passed by the general meeting. The damage liability of the members of the management shall not be excluded on the basis that an act was approved by the management or supervisory body. The company may only refuse compensation claims or offset them three years after the claims arose provided the agreement of the general meeting is obtained and provided no written objection is made by a minority holding at least one-tenth of the subscribed capital.</p> <p>(4) A compensation claim by the company against members of the management or supervisory body may also be pursued by creditors of the company if the company is unable to repay them.</p>
<p>36. člen ZDR (varovanje poslovne skrivnosti)</p> <p>(1) Delavec ne sme izkoriščati za svojo osebno uporabo ali izdati tretjemu delodajalčevih poslovnih skrivnosti, ki jih kot take določi delodajalec, in ki so bile</p>	<p>Article 36 of the Employment Relationship Act (Protection of Trade Secrets)</p> <p>(1) A worker may not exploit for his private use nor disclose to a third person employer's trade secrets defined as such by the employer,</p>

<p>delavcu zaupane ali s katerimi je bil seznanjen na drug način.</p> <p>(2) Za poslovno skrivnost se štejejo tudi podatki, za katere je očitno, da bi nastala občutna škoda, če bi zanje zvedela nepooblaščen oseba. Delavec je odgovoren za kršitev, če je vedel ali bi moral vedeti za tak značaj podatkov.</p>	<p>which were entrusted to the worker or of which he has learnt in any other way.</p> <p>(2) Data which would obviously cause substantial damage if they were disclosed to an unauthorised person are considered as trade secret. The worker is liable for the violation, if he knew or should have known for such nature of data.</p>
<p>236. člen KZ-1</p> <p>Izdaja in neupravičena pridobitev poslovne skrivnosti</p> <p>(1) Kdor neupravičeno v nasprotju s svojimi dolžnostmi glede varovanja poslovne skrivnosti sporoči ali izroči komu podatke, ki so poslovna skrivnost, ali mu kako drugače omogoči, da pride do njih, ali jih zbira z namenom, da jih izroči nepoklicani osebi, se kaznuje z zaporom do treh let.</p> <p>(2) Enako se kaznuje, kdor z namenom, da jih neupravičeno uporabi, protipravno pride do podatkov, ki se varujejo kot poslovna skrivnost.</p> <p>(3) Če so podatki iz prvega ali drugega odstavka tega člena posebno pomembni, če kdo izroči take podatke zato, da jih kdo odnese v tujino, ali je dejanje storjeno iz koristoljubnosti, se storilec kaznuje z zaporom do petih let.</p> <p>(4) Če je dejanje iz prvega ali tretjega odstavka tega člena storjeno iz malomarnosti, se storilec kaznuje z zaporom do enega leta.</p>	<p>Article 236 of the Penal Code</p> <p>Disclosure of and Unauthorized Access to Trade Secret</p> <p>(1) Whoever, in non-compliance with his duties to protect trade secrets, communicates or conveys information designated as a trade secret to another person or otherwise provides him with access to such information or with the possibility of collecting such information in order to convey the same to an unauthorized person shall be sentenced to imprisonment for not more than three years.</p> <p>(2) Whoever procures information designated as a trade secret with the intention of using it without authority shall be punished to the same extent.</p> <p>(3) If the information under the above two paragraphs is of special importance or if it has been conveyed to a third person for it to be transferred abroad or if the offence has been committed out of greed, the perpetrator shall be sentenced to imprisonment for not more than five years.</p> <p>(4) If the offence under the first or third paragraphs of the present article has been committed through negligence, the perpetrator shall be sentenced to imprisonment for not more than one year.</p>

<p>715. člen OZ</p> <p>Varovanje zaupnosti predmeta licence (Licenčna pogodba)</p> <p>Če so predmet licence nepatentiran izum ali tajno tehnično znanje in izkušnje, jih mora pridobitelj licence varovati kot zaupne.</p>	<p>Article 715 of the Code of Obligations</p> <p>Safeguarding of confidentiality of subject of license (License Agreement)</p> <p>If the subject of the license is an unpatented invention or confidential technical know-how or experience the license acquirer must safeguard the confidentiality of such.</p>
<p>817. člen OZ</p> <p>Varovanje poslovnih skrivnosti (Agencijska pogodba)</p> <p>(1) Zastopnik je dolžan varovati poslovne skrivnosti svojega naročitelja, za katere je zvedel v zvezi s poslom, ki mu je bil zaupan.</p> <p>(2) Zastopnik odgovarja, če take skrivnosti zlorabi ali jih odkrije drugemu, tudi potem, ko pogodba o trgovskem zastopanju preneha.</p>	<p>Article 817 of the Code of Obligations</p> <p>Safeguarding of commercial confidentialities (Agency Agreement)</p> <p>(1) The agent shall be obliged to safeguard the mandator's commercial confidentialities of which the former learns in connection with the transactions entrusted thereto.</p> <p>(2) An agent that misuses such confidentialities or reveals them to another shall be liable therefore, even after the commercial agency contract terminates.</p>
<p>844. člen OZ (Posredniška pogodba)</p> <p>Posrednikova odgovornost</p> <p>(1) Posrednik je odgovoren za škodo, ki nastane eni ali drugi stranki, med katerima je posredoval, če nastane škoda zaradi tega, ker je posredoval za poslovno nesposobno osebo, za katere nesposobnost je vedel ali bi bil moral vedeti, ali za osebo, za katero je vedel ali bi bil moral vedeti, da ne bo mogla izpolniti obveznosti iz pogodbe, ter sploh za vsako škodo, nastalo po njegovi krivdi.</p> <p>(2) Posrednik je odgovoren za škodo, ki jo je imel naročitelj zaradi tega, ker je brez njegovega dovoljenja obvestil koga tretjega o vsebini naročila, o pogajanjih</p>	<p>Article 844 of the Code of Obligations (Brokerage Contract)</p> <p>Broker's liability</p> <p>(1) The broker shall be liable for damage incurred by either party between whom the broker is brokering if the damage occurred because the broker brokered for a person with incapacity to contract whose incapacity was or should have been known to the broker, or a person whom the broker knew or should have known would be unable to perform the obligations specified in the contract, and in general for any damage incurred through the broker's fault.</p> <p>(2) The broker shall be liable for damage incurred by the mandator because the broker informed a third person regarding the content of the mandate, the</p>

<p>ali o pogojih sklenjene pogodbe.</p>	<p>negotiations or the conditions of the concluded contract without the mandator's permission.</p>
<p>13. člen ZVK</p> <p>Nelojalna konkurenca je prepovedana. Nelojalna konkurenca je dejanje podjetja pri nastopanju na trgu, ki je v nasprotju z dobrimi poslovnimi običaji in s katerim se povzroči ali utegne povzročiti škoda drugim udeležencem na trgu.</p> <p>Kot dejanja nelojalne konkurence po prejšnjem odstavku se štejejo zlasti:</p> <ul style="list-style-type: none"> <li>- reklamiranje, oglašanje ali ponujanje blaga ali storitev z navajanjem neresničnih podatkov ali podatkov in izrazov, ki ustvarjajo ali utegnejo ustvariti zmedo na trgu ali z zlorabo nepoučenosti ali lahkovernosti potrošnikov;</li> <li>- reklamiranje, oglašanje ali ponujanje blaga ali storitev z navajanjem podatkov ali uporabo izrazov, s katerimi se izkorišča ugled drugega podjetja, njegovih proizvodov ali storitev oziroma ocenjuje ali podcenjuje kvaliteto proizvodov drugega podjetja;</li> <li>- reklamiranje, oglašanje ali ponujanje blaga ali storitev ali omalovaževanje drugega podjetja s sklicevanjem na narodnostno, rasno, politično ali versko pripadnost;</li> <li>- dajanje podatkov o drugem podjetju, če ti podatki škodijo ali utegnejo škoditi ugledu in poslovanju drugega podjetja;</li> <li>- prodaja blaga z označbami ali podatki, ki ustvarjajo ali utegnejo ustvariti zmedo</li> </ul>	<p>Article 13 of the Competition Protection Act</p> <p>Unfair competition shall be prohibited. An act of unfair competition shall be deemed to be any company's act of access to the market which is contrary to good business practices and will or might cause damage to other entities engaged in market operations.</p> <p>Acts of unfair competition referred to in the previous paragraph shall include in particular:</p> <ul style="list-style-type: none"> <li>- promotion, advertising or offering of goods or services by stating untrue data or information and terms which will or could lead to a confusion on the market, or by abuse of ill-informed or gullible consumers;</li> <li>- promotion, advertizing or offering of goods or services by stating untrue data or making use of the terms allowing the prestige of another company, its products or services to be used or allowing the quality of products of another company to be evaluated or undervalued;</li> <li>- promotion, advertising or offering of goods or services or belittling of another company by making reference to a national, racial, political or religious affiliation;</li> <li>- procuring the information on another company, when such information will or might be harmful to the reputation or business of another company;</li> <li>- sale of goods bearing designations or data which will or might lead to a</li> </ul>

<p>glede izvora, načina proizvodnje, količine, kakovosti ali drugih lastnosti blaga;</p> <ul style="list-style-type: none"> <li>- prikrivanje napak blaga ali storitev ali kakšno drugačno zavajanje potrošnikov;</li> <li>- dejanja, usmerjena v prekinitev poslovnega razmerja med drugimi podjetji ali k preprečevanju ali oteževanju takih razmerij;</li> <li>- neupravičeno neizpolnjevanje ali razdiranje pogodbe s kakšnim podjetjem, da bi se sklenila enaka ali podobna pogodba z drugim podjetjem;</li> <li>- oglaševanje navidezne razprodaje ali navideznega znižanja cen in podobna dejanja, ki zavajajo potrošnike glede cen;</li> <li>- neupravičena uporaba imena, firme, znamke ali kakšne druge oznake drugega podjetja, ne glede na to ali je drugo podjetje dalo soglasje, če se s tem ustvari ali utegne ustvariti zmeda na trgu;</li> <li>- dajanje ali obljubljanje daril, premoženjske ali drugačne koristi drugemu podjetju, njegovemu delavcu ali osebi, ki dela za drugo podjetje, da bi se darovalcu omogočila ugodnost v škodo kakšnega podjetja ali potrošnikov;</li> <li>- nepooblaščen uporaba storitev trgovskega potnika, trgovskega predstavnika ali zastopnika drugega podjetja;</li> <li>- pridobivanje kupcev blaga ali uporaba storitev z dajanjem ali obljubljanjem nagrad ali kakšne druge premoženjske koristi ali ugodnosti, ki po vrednosti</li> </ul>	<p>confusion concerning the origin, method of production, quantity, quality or other properties of goods;</p> <ul style="list-style-type: none"> <li>- concealing the faults in goods or services or any other acts of misleading the consumers;</li> <li>- acts aiming at breaking business relations between other companies or at preventing or hindering such relations;</li> <li>- unjustified failure to abide by or breaking of a contract concluded with a company with a view to concluding an identical or similar contract with another company;</li> <li>- advertising a supposed clearing sale or apparent lowering of prices and similar acts of misleading the customers with respect to prices;</li> <li>- unjustified use of a name, business name, mark or any other designation of another company regardless of whether that company granted approval for this, when this will or might lead to a confusion on the market;</li> <li>- giving or promising gifts or financial or other benefits to another company, its employee or person working for such a company with a view to providing the donor with an advantage to the prejudice of some other company or consumers;</li> <li>- unauthorized use of services of a salesman, sales agent or agent of another company;</li> <li>- attracting the buyers of goods or users of services by giving or promising awards or any other financial benefits or advantages whose value exceeds</li> </ul>
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<p>občutneje presega vrednost blaga ali storitve, s katero naj kupec pridobi možnost nagrade;</p> <p>- protipravno pridobivanje poslovne tajnosti drugega podjetja ali neupravičeno izkoriščanje zaupane poslovne tajnosti drugega podjetja.</p>	<p>substantially the value of goods or services allowing the buyer the possibility of obtaining the award;</p> <p>- unlawful acquisition of a trade secret of another company or unjustified making use of an entrusted trade secret of another company.</p>
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3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

The Directive 2004/48/EC has been implemented into Slovenian legislation by two statutes:

- Copyright and Related Rights Act and
- Industrial Property Act.

Trade secrets shall enjoy the protection of the above stated Acts only under certain circumstances as described below.

A trade secret may considered a copyright and protected by Copyright and Related Rights Act (hereinafter: ZASP), if it qualifies as a copyright work as defined by ZASP. ZASP states in Article 5 that Copyright works are individual intellectual creations in the domain of literature, science, and art, which are expressed in any mode, unless otherwise provided by this Act. As copyright works are considered in particular: 1. spoken works such as speeches, sermons, and lectures; 2. written works such as belletristic works, articles, manuals, studies, and computer programs; 3. musical works with or without words; 4. theatrical or theatrico-musical works, and works of puppetry; 5. choreographic works and works of pantomime; 6. photographic works and works



produced by a process similar to photography; 7. audiovisual works; 8. works of fine art such as paintings, graphic works, and sculptures; 9. works of architecture such as sketches, plans, and built structures in the field of architecture, urban planning, and landscape architecture; 10. works of applied art and industrial design; 11. cartographic works; 12. presentations of a scientific, educational or technical nature (technical drawings, plans, sketches, tables, expert opinions, three-dimensional representations, and other works of similar nature).

Also a trade secret may be considered to be a industrial property if the acquisition of an industrial property right is registered with the application to the Slovenian Intellectual Property Office (The acquisition of industrial property rights in the Republic of Slovenia may also be requested on the basis of applications filed abroad, if this is in conformity with an international treaty which is binding on the Republic of Slovenia.). If such a registration is made, the trade secret shall enjoy the protection of the Industrial Property Act.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

The definition of trade secrets in Companies Act does not differentiate between different types of trade secrets, therefore all types of trade secrets are treated equally.

With respect to the previous paragraph, it must be noted that certain information that is considered as trade secret can also fulfil requirements for protection of intellectual property legislation (copyright, patent, trademark, etc.). If this is the case, than the law treats such information differently than "conventional" trade secrets.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

The information, which companies define and protect as their trade secrets are of great significance (and economic value) to their holders, but only as long as they remain secret. Trade secrets are threatened not only by the holder's competitors, but also by individuals within the organization of the holder itself.

As mentioned above, the competition law in Slovenia is very scarce on the subject of trade secrets. In our opinion, a more thorough approach and clear definitions to the subject of trade secrets in the context of competition law would help improve competition practices in Slovenia and make business environment more attractive also to foreign investments. It is notable that in Slovenian jurisdiction, it is very easy for a company to envelop their internal information into the veil of protection accorded to trade secrets, since all that is require is a written decision by the management of the company. This, in turn, may also have a negative effect on transparency of business,

especially when it comes to corruption and malpractice of companies. In this regard, it would be positive to make clearer definitions of what constitutes a trade secret.

In our opinion, a European harmonized and common legislation specifically targeted to trade secrets is feasible, since economy and the variety of information that companies in EU member states (or elsewhere, for that matter) are more or less based on the same rules and are of the same form and content. However, the legislation on the EU level should also entail very specific rules on sanctioning and persecuting violations of trade secret rules, since in this field, there are significant differences between countries (i.e. criminal liability, civil liability, competent authorities for violations of trade secrets, etc.). Since the subject of trade secrets is relatively well-defined and established in the legislation in Slovenia, in some other countries, the legislation concerning trade secrets is scarce or even almost non-existent. As a result, companies which are present on the global market are not protected enough, which in turn leads to disputes and tension on the international level. In this regard, a unified and harmonized European common legislation would be desirable.

There are currently no proposals for new legislation regarding trade secrets and/or their protection.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

We note that case-law in Slovenian jurisdiction regarding trade secrets is extremely scarce. The reason for this is that companies rarely decide to settle their disputes concerning violations of rules on trade secrets before the courts. In addition, the terms for filing the lawsuits are very short (3 months from the date the company becomes aware of the violation).

The list of more relevant case law is as follows:

Court	Case number	Decision
Supreme Court	Judgment VIII Ips 124/2006	Since the defendant did not define which documents are considered trade secrets (nor did he have specific procedures and measures to ensure the security of personal data), the plaintiff cannot be accused of breaching contractual or other obligations arising from employment and even less that the breach had signs of criminal acts of treason and unauthorized access to business secrets according to the Criminal Code.
Supreme Court	Resolution III Ips 75/2010	Duty of confidentiality also applies to the qualified person that helps a shareholder when he inspects confidential information. For auditors such a duty is provided by the Law on

		Auditing, but in any case, an auditor is subject to the general provisions of the Companies Act-1 on the protection of trade secrets (second paragraph of Article 40 of the CA-1). The Company may declare that trade secret information, which might be disclosed in a report on due diligence, and in this way, signal that such information should not become publicly available.
Administrative Court	Judgment U 32/2008	The defendant correctly stipulated that Article 6 of the Public Procurement Act defines the principle of transparency in the use of public funds and that the procurement processes must be transparent, and that transparency and publicity of procedures is prescribed in the public interest and in the interested of bidders. The principle of transparency applies to all types of procedures. This principle also follows from provision on access to tender documents (Article 24) and attendance at public opening of tenders (article 73). The mere general allegation that information is a trade secret, without any explanation of the adverse impacts in that its disclosure may have does not demonstrate compliance with the conditions as set forth in Article 39, paragraph 2 of the Companies Act.
High Court	Judgment 923/1998 Pdp	To specify what constitutes a trade secret it suffices to do so by a general definition in the statute of the company and to set a duty for the worker in his individual employment contract to protect all information identified as trade secrets in the acts of the company as well as all other information concerning the work of the company that is not generally known and would cause damage to the interests of the company if reveled to third parties.
Supreme Court	Resolution III Ips 75/2010	Every shareholder in a company is entitled by law to request an insight into the company's business documentation and data. It is prohibited to limit this shareholder's right with the sole purpose to prevent an an objective risk of disclosure of trade secrets. The shareholder's right (envisaged in Article 512 of the Companies Act) also entails the right to

		authorise an external independent third party (auditor, attorney, etc.) to review the documentation. However, it is important to note that, as the shareholder is obliged by law to protect trade secrets of the company, this obligation extends also to the third party, summoned to perform the review.
Supreme Court	Resolution VIII Ips 201/2000	The court has established that the plaintiff did not possess clear resolutions and documents which would prove that he has defined certain information as trade secrets, and which information is considered trade secret. Also, the information disclosed did not comply with the provisions of the Companies Act, providing which information are considered as trade secret by law. As a result, he could not prove that the defendant violated his obligations to protect trade secrets.
Supreme Court	Resolution III Ips 88/98	Decision of a company that it will begin to import a certain product, can be considered a trade secret only until the realization (beginning) of the import. If another person commenced to import the same product from the same producer, then the other person can be prohibited from importing this product by invoking point 14 of article 13 of the Protection of Competition Act, however, the prohibition can only last until the realization of the import by the other company.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

Articles:

- Potočnik Maja, "Poslovna skrivnost pri vpogledih v ponudbe konkurenčnih ponudnikov" ("*Review and insight into the offers of competing bids; protection of trade secrets*") , Pravna praksa, Issue 44, p. 22, 2009

The essay concerns the protection of trade secrets in the procedure of public procurement. The Public Procurement Act includes the possibility of a bidder in a public procurement procedure to review the documentation of other bidders if he suspects that the chosen bid has not fulfilled all requirements or that it was favoured on unlawful grounds. The problem which arises is that bids often include information which is

considered trade secret, thus it must be protected. The article assumes the position that trade secrets are as of now not protected enough in the public procurement procedure, since the public contracting authority is not limited enough in its rights to disclose trade secrets of the bidders. The solution would be to strictly define (in advance, and for each specific public procurement procedure) which information will be regarded as trade secret and thus not disclosed under any circumstances.

- Bertoncej Brane, "Analiza stališč v zvezi z zaščito poslovne skrivnosti" (*Attitudes and protection of business secrets*), Psihološka obzorja, Volume 10, Issue 2, pp. 113-122.

The human impact on information systems where data bases containing business secrets are stored, is one of the most unreliable and unpredictable factors. For this reason, it must not be underestimated. The results of this study indicate correlation between behavioural intentions and protection of business secrets. There is a statistically significant correlation between behavioural intention and behavioural control. This means that an increased level of perceived control over one's own behaviour is related to behavioural intentions. A great majority of participants would not divulge a business secret due to internal moral factors, i.e., they possess the appropriate capabilities to determine the priority of social moral values over personal values.

Theses:

- Stankić Rupnik Maja, "Poslovna skrivnost v podjetniški praksi" (Trade secrets in practice"), Diplomsko delo, Pravna fakulteta v Mariboru, September 2005.

The thesis reflects on the notion of trade secrets and their importance from perspectives of different legal aspects, namely from the aspect of economy, competition, entrepreneurial practice, employment legislation, finance and criminal law. It stipulates that in the most important part, companies themselves have the responsibility to impose and enforce measures that prevent leaking of trade secrets, their misuse and disclosure. On the other hand, it is important that legislation in this area is flexible, thorough and adaptable to changes on the market. Only by combination of both efficient legislation and substantial efforts on the part of the companies, the risk of disclosure of trade secrets and loss of competitive advantages of companies may be reduced.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

The Slovenian ZGD builds on the "principle of guilt". Meaning, that one must prove that the person who used a trade secret without authorization or disclosed a trade secret without authorization knew or, given the nature of the data, should have known that the data in question was company's business secret.

If certain data was not determined as a trade secret by the company in a written resolution, to prove infringement by people within the company or a third person one

would have to show that the data was such that it was clear to them that its disclosure to an unauthorized person would clearly cause substantial damage.

For the owner of trade secrets to successfully claim damages from the infringer of trade secrets, the owner must prove the following:

- that the infringer acted unlawfully
- that damage was caused
- causal lien between damage and the infringer's act
- that the infringer acted with a certain degree of fault (intent or negligence)

2. What civil remedies are made available? Are the remedies cumulative?

A civil remedy used as a result of breach of trade secrets and the sanction are dependent on the position and responsibilities of the person in breach. If an employee is in breach his action constitutes a breach of employment agreement, for leading employees it may also constitute a contractual breach, for the management the sanction for the breach could be their recall from function, a breaching shareholder could be expelled from the company.

Besides the remedies just stated one may also seek damages that accrue as a result of the breach.

Regardless of the fact if the breaching person knew or should have know about the secret nature of information, one may demand termination of prohibited conduct and restitution.

Apart from a preliminary injunction, a »temporary injunction« is possible in Slovenian law. The difference is that a preliminary injunction is only possible when the plaintiff has already secured an order for enforcement, but the latter is not yet final. Preliminary injunctions are exhaustively listed in the Enforcement and Securing of Civil Claims Act (Official Gazette of the RS, no. 3/2007) and can only be imposed in order to secure the enforcement of a plaintiff's monetary claim until finality of the judgment. Thus, if the plaintiff has claimed damages from the defendant and the damages arose from trade secret misuse, a preliminary injunction is possible.

Temporary injunctions are not exhaustively listed and can be demanded (and imposed) before the beginning of the procedure, during the procedure and at the end of the procedure. Temporary injunctions are available in matters concerning trade secret misuse (for instance: to demand a temporary cessation of trade secret misuse until the finality of the court proceedings; to prevent the publication of an alleged trade secret; or to demand a lien on the property of the defendant if the plaintiff claims damages from trade secret misuse and there is a present threat that the defendant will dispose of its property and hence prevent the enforcement in case the plaintiff wins).

Preliminary injunctions last until the finality of the enforcement order, whereas the duration of temporary injunctions is set by the court which imposes them. Usually, they

last until the end of the court proceedings in the matter, or as long as it takes so that they serve the purpose for which they have been imposed.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

For instance, the search of the working area and the computer of an employee which is located on the premises of the employer can be performed, since this is in the domain of the employer. However, in a civil procedure, the law does not allow for a search of the home and private premises of the defendant to be conducted without the latter's consent. Only if he concurs, then is such a search possible.

In civil proceedings, it is not possible to coerce the defendant to provide information. If he refuses, there is no other sanction besides that it is at the court's discretion to decide what the defendant's refusal will entail.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

- (a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

In civil proceedings, it is possible for the plaintiff to request a preliminary or a temporary injunction. A preliminary injunction is only possible when the plaintiff has already secured an order for enforcement, but the latter is not yet final. Preliminary injunctions are exhaustively listed in the Enforcement and Securing of Civil Claims Act (Official Gazette of the RS, no. 3/2007) and can only be imposed in order to secure the enforcement of a plaintiff's monetary claim until finality of the judgment. Thus, if the plaintiff has claimed damages from the defendant and the damages arose from trade secret misuse, a preliminary injunction is possible.

Temporary injunctions are not exhaustively listed and can be demanded (and imposed) before the beginning of the procedure, during the procedure and at the end of the procedure. Temporary injunctions are available in matters concerning trade secret misuse (for instance: to demand a temporary cessation of trade secret misuse until the finality of the court proceedings; to prevent the publication of an alleged trade secret; or to demand a lien on the property of the defendant if the plaintiff claims damages from trade secret misuse and there is a present threat that the defendant will dispose of its property and hence prevent the enforcement in case the plaintiff wins).

Preliminary injunctions last until the finality of the enforcement order, whereas the duration of temporary injunctions is set by the court which imposes them. Usually, they last until the end of the court proceedings in the matter, or as long as it takes so that they serve the purpose for which they have been imposed.

The plaintiff may also demand that the defendant posts a certain amount of money at the court as security for the expenses and damage that the court may accord to the plaintiff in course of proceedings, if there is a threat that the defendant will be unable to meet his obligations should he lose the case.

There are no other specific interim reliefs or measures available to the plaintiff which would enable him to expedite the proceedings regarding trade secret violations.

- (b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

As mentioned above, the Slovenian legislation does not recognize the notion of a final injunction. As for preliminary injunctions, they last until the finality of the enforcement order, whereas the duration of temporary injunctions is set by the court which imposes them. Usually, they last until the end of the court proceedings in the matter, or as long as it takes so that they serve the purpose for which they have been imposed.

Preliminary and temporary injunctions are requested by the plaintiff by a special application, lodged at the same court which decides in the subject matter. The application for an injunction can be filed simultaneously with the lawsuit or later in the procedure.

- (c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

The cost of the proceedings depends on the amount of the claim in question, since court taxes and attorney fees are calculated in respect of the amount claimed by the plaintiff. Consequently, it is impossible to provide an estimation of costs. Also, considering that case law on the subject of trade secret violations is extremely scarce, any estimations would bear the risk of being inaccurate and misleading.

As for the duration of the proceedings: the proceedings concerning claims with respect to trade secret violations are usually heard by District Courts (unless the claim is less than 20.000,00 EUR, in this event they are heard by local courts), which take approximately 2 years to complete on the first instance. If the defendant files an appeal, the competent court is the High Court. The duration of proceedings before the high court can be anywhere from six months to twelve months.

- (d) Are cases involving technical trade secrets heard by specialist judges?

No, there is no provision for that in the law.

- (e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?



The Civil Procedure Act (Off. gaz. of the RS, no. 73/2007, as amended) provides in Article 293 that the public may be excluded from the proceedings if it is necessary for the purpose of protecting trade secrets of the parties to the proceedings. The plaintiff has the primary burden of proof to prove that trade secrets were violated. In this regard, they must prove that certain information was considered a trade secret and that the defendant was aware of this. It is not strictly required to reveal the content of such information, but in most cases it will prove to be necessary to prove that this was in fact the information which was disclosed. The content of proceedings is confidential (if the public is excluded) and known only to the judge(s) and the parties, thus trade secrets of the parties are, in this context, secure.

The civil proceeding is brought by the party (owner of trade secrets) and is optional. In this respect, the court is not competent to order seizure and discovery actions. The court may request the party to deliver, for example, certain documentation to the court, however, if the party does not oblige, no sanctions can be imposed upon it. Consequently, there is no need to protect trade secrets in seizure and discovery actions.

Witnesses in civil proceedings may refuse to testify on grounds of professional secrecy, however, they cannot refuse to testify if disclosure of certain facts is deemed public interest or to the benefit of any third party, if the latter benefit to any third party is greater than the benefit of maintaining secrecy. The decision on this matter is rendered by the court.

- (f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

The information on judgments before District Courts are not publicly available, thus we cannot provide you with this information. However, our general knowledge of the court practice, and the fact that there is a very small amount of practice before the High Court and the Supreme Court with respect to trade secrets, suggest that a very low number of trade secret actions are filed in Slovenian jurisdiction.

- (g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

If data that are considered a business secret is not determined by the company in a written resolution, then proving guilt on the part of the breaching party (that the breaching party knew or, given the nature of the data, should have known that the data in question was company's business secret) would be difficult. Showing that disclosure of a trade secret has caused a company substantial damage has also proven difficult in the past.

5. What defences are available to the defendant in a trade secrets action?

The defendant may defend itself on several grounds:

- that certain data or information was not defined as a trade secret by a written resolution of the owner (company), and as such not compliant with the requirements set in the Companies Act;
- that he was not notified of the company's resolution that certain information is to be regarded as trade secret (this is especially important for the employees of the company who owns trade secrets);
- that he was not aware and could not have reasonably been aware that certain information is regarded as trade secret. Since the civil law is based on the principle of guilt, the infringer cannot be held liable if it cannot be proven that he acted with intent and/or negligence;
- that the public benefit, stemming from the disclosure of trade secrets, is so important that it outweighs the damage resulting to the owner as a consequence of the disclosure.
- that certain information cannot be considered as trade secret since it is considered as public or must be made public since the law so provides.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

The court initially verifies whether certain information is considered to be public – in this case, the information cannot be accorded trade secret protection. The requisite most considered is by the courts is whether information was defined as trade secret by a written resolution of the company (adoption of measures to protect its secrecy).

Simultaneously the court estimates whether it could be considered obvious to persons outside the owner company that significant damage for the company may arise if the information is disclosed. During this evaluation, many factors are taken into account, e.g. how restricted was the number of people who had knowledge of such information; its commercial value; nature of the industry/business; effect on the competition; nature of disclosure itself (in mass media, or only to a limited number of people, etc).

7. As to award of damages:

(a) What are the available options?

(b) What are the criteria to determine and calculate damages?

(c) Are punitive damages available for breach of trade secrets?

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

(a) The owner of trade secrets demands damages, which resulted from the breach of trade secrets. The plaintiff can demand damages (*damnum emergens*) as well as reimbursement of lost profit (*lucrum cessans*).

- (b) Damages are determined according to criteria of damage caused to the owner of trade secrets by their unlawful obtainment or disclosure, and lost profit which derived from the same unlawful acts. It is important to note that in trade secrets actions, plaintiffs can find it very challenging to prove the amount of damage caused by unlawful obtainment or disclosure of trade secrets, and the same also applies for lost profit, which is even more difficult to establish.
- (c) No, civil law litigation does not provide for punitive damages for breach of trade secrets.
- (d) Due to the fact that the court does not reveal this information publicly and that judgments on the first instance are not made public, we cannot provide you with any information with respect to this question.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

No. Slovenian legislation does not provide for different cases of trade secret violations. Please note, however, that different laws include provisions on responsibility for trade secret violations, so different sanctions may be imposed – for instance, if an employee commits a trade secret violation he may not only incur civil liability, but also disciplinary action, since the Employment Relationship Act provides that employees are obliged to protect trade secrets of their employers and can be held responsible for any illicit disclosures.

9. Are the remedies identified for your jurisdiction also enforceable against:

- (a) A person who obtains trade secrets in good faith? and/or
  - (b) A person who autonomously developed the same information?
- (a) In certain circumstances, yes. The Companies Act (which includes a definition of trade secrets) and the Civil Procedure Act are based on the principle of guilt. This means that a person who obtained trade secrets can only be held liable if it is proven that he acted with intent or some degree of negligence. If the person who obtained trade secrets did not know, and could not have reasonably known that the information in question is considered to be a trade secret (either by virtue of a written resolution of the owner company or by virtue of their significance and importance), he cannot be held liable.
  - (b) No, a person who autonomously developed the same information cannot be held liable for trade secret violations.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- While the employee is still employed?

While the employee is still employed, he is bound by the provisions of the Employment Relationship Act (Off. gaz. of the RS, no. 42/2002 as amended). According to Article 36 of the said act, the employee must protect information which are defined as trade secrets by a written resolution of the employer (or information which is of such importance that significant damage would be caused to the employer by its disclosure), and must not disclose any such information to any unauthorized third party. Infringement of this obligation is treated as a violation of the Employment relationship and may entail disciplinary sanctions, as well as liability for damage caused.

- Once the employee has left his employment?

Once the employee has left the employment, he is not bound by the Employment Relationship Act anymore, since the ERA does not provide for any obligation of the employee to protect trade secrets of the employer after the end of employment relationship (contrary to the prohibition of competition clause, which may extend to maximum of two years after the end of employment relationship).

Nevertheless, the employee is still liable according to the rules of civil law. Even if he obtained the information lawfully during his employment, he can still be liable for their disclosure after the end of employment and obliged to pay damages that resulted from unlawful disclosure of information.

- Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

An example of such a clause would be:

"The employee shall not exploit for personal use, or disclose to any third party any information which are considered as trade secrets by the employer and have been made known or entrusted to the employee during the time of the employment.

The definition of trade secrets also includes information for which it is obvious that their disclosure would cause significant damage to the employer. The employee is responsible for the violation of this clause if he was aware or should have been aware that the relevant information were of such nature."

Whether the court will differentiate between trade secrets and general confidential information depends on what the nature of confidential information is, and whether it can be treated as trade secret according to Article 39/2 of the Companies Act ("information, for which it is obvious that its disclosure would cause significant damage to the company"). If certain data does not correspond to this definition, and if it cannot be otherwise proved that it was considered to be a trade secret, the employee cannot be held liable for its disclosure.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

PROS:

- possibility to claim damages
- easier to prove (lower standards of proof)

CONS:

- lengthier procedure (civil procedure in general take a longer time to reach finality)
- requires active participation by the owner of trade secrets
- more costly (attorney fees, court taxes)

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

It is very common for companies to conclude non-disclosure agreements, or to include non-use and confidentiality clauses in their contracts and agreements, and also in employment contracts. Consequently, most disputes concerning trade secrets are resolved either out of court (settlements) or through civil law litigation (lawsuits for breach of contract/agreement provisions). Through civil law litigation, the solutions are enforceable, and civil law litigation also provides for a possibility of a preliminary injunction to prevent further misuse until the proceeding is finished (as mentioned above). The abovementioned solutions are generally enforceable.

If certain product, information or data meets the requirements for it to be protected by a license or another instrument of intellectual property law (trademark, patent, model, geographical indication, etc.) it is considered the simplest solution for companies to ensure maximum protection of their confidential information, and also to ensure the possibility of enforcement.

13. With regards to non disclosure and non use agreements:

- Are they effective and enforceable in your jurisdiction?

We interpret this question as not meaning direct enforceability. Thus, if the parties conclude a non-disclosure agreement and one of the parties breach the provisions of the agreement, the other party must still file a lawsuit for breach of agreement and damages.

- If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Prevailing enforcement is provided by contract law.

- Does the US doctrine of inevitable disclosure exist in your jurisdiction?

No, Slovenian legislation does not contain any such doctrine. However, a similar effect can be achieved through the use of provisions of Article 38 of the Employment Relationship Act – the use of a non-competition clause. Article 38 provides that, if an

employee (during his time of employment) acquires (or is about to acquire during his employment at the company) various knowledge of technical processes, manufacturing processes or business knowledge or business associations, then the employer may demand that a non-competition clause be entered into the employment contract. This clause prevents the employee to engage in any activity which is considered to be competitive to his current company for the period of his employment at the company, and also after the employment relationship at this company has been terminated. The non-competition clause may be imposed for a maximum of 2 years after the termination of the employment relationship, and is void if the reason for the termination of the employment relationship was on the side of the employer.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

According to the provisions of the Private International Law and Procedure Act (Off. gaz. of the RS, no. 56/1999), litigation with respect to trade secret infringements can be started in Slovenia (competence of Slovenian courts is established) in two cases:

- if the defendant has its permanent residence or seat in Slovenia. In this event, it is irrelevant where the trade secrets are created/conceived or where the unlawful use or misappropriation takes place;
- in the disputes concerning non-contractual liability for damages, litigation could be started in Slovenia if the act which caused damage took place on Slovenian territory; or if the adverse implication, caused by the harmful act, occurred on the Slovenian territory. The law does not set forth any other requirements – this means that, regardless of where trade secrets were created/conceived, misappropriated or unlawfully used, if the harmful act or its consequences took place on Slovenian territory, litigation could be started in Slovenia.

Please note that with regard to the second point, the law only mentions non-contractual liability. Litigation in cases of liability for breaches of contractual obligations is started in the jurisdiction of the defendant's home state.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

If the foreign judgment was issued by a member state of the European Union, the recognition and enforcement in Slovenian jurisdiction is governed by Council regulation 44/2001/EC on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

If the foreign judgment was issued by a state other than a member state of the European Union, the recognition and enforcement in Slovenian jurisdiction is governed by the Private International Law and Procedure Act. The latter act provides that foreign judgments are recognizable under the condition of reciprocity. The court also rejects recognition of foreign judgments in the following situations:

- if a Slovenian court is exclusively competent to decide in a certain case;
- if a court or other competent organ has rendered a final decision in the same matter, or if another foreign judgment on the same matter has already been recognized;
- if the effect of recognition of a foreign judgment would be contrary to the Slovenian public policy and order.

If a foreign judgment is compliant with the above listed requirements, there is no obstacle which would prevent its recognition even if the trade secret at stake would not be regarded as a trade secret in Slovenian jurisdiction – that is, unless a Slovenian law would specifically prohibit for such information to be regarded as a trade secret. In that particular case, the recognition and/or enforcement of such a judgment would be contrary to the Slovenian public policy and order and as such could not be recognized and/or enforced.

## Spain

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Although there is no Act exclusively aimed at trade secrets, specific provisions on the protection thereof can be found in several Acts dealing with more generic issues. Of these provisions, we can identify two groups:

- (I) those that grant direct protection, providing trade secrets holders with legal actions against infringement, and
- (II) those that grant indirect protection by imposing a duty of secrecy on different individuals such as companies' directors, employees' representatives, judges and IP rights holders seeking for fact-finding proceedings.

(I) Within the first group we find the following provisions contained in two different Acts:

(i) Unfair Competition Act 3/1991, of 10 January, (hereinafter "Unfair Competition Act").

Chapter II "Unfair Competition Acts":

#### *Article 13. Breach of secrets*

*1. The disclosure or exploitation, without the owner's consent, of industrial secrets or any other type of company secrets to which access has been gained lawfully, but under a duty of confidentiality, or unlawfully, as a result of any of the conduct provided for in the next section or in Article 14, is considered as unfair.*

*2. The acquisition of secrets through espionage or any other similar procedure shall also be considered as unfair.*

*3. The prosecution of the breach of official secrets contemplated in the previous sections does not require that the prerequisites established in Article 2 be met. Notwithstanding the foregoing, the breach must have been committed in order to obtain a benefit, directly or for a third party, or to damage the owner of the secret.*

#### *Article 14: Aiding and abetting breach of contract*

*1. Aiding and abetting employees, suppliers, clients and any other bound persons to breach their basic contractual duties undertaken with competitors, is considered unfair.*

*2. Aiding and abetting the regular termination of a contract or taking advantage, for one's own benefit or for the benefit of a third party, of a third party breach of contract shall only be considered as unfair when, if known, the subject-matter thereof is the disclosure or exploitation of a trade or company secret or is accompanied by circumstances such as deceit, intent to force a competitor out of the market or other such circumstances.*



(ii) Spanish Criminal Code, approved by Organic Act 10/1995, of 23 November.

*Article 278. 1. The person who, in order to discover a trade secret, misappropriates through any means data, written or electronic documents, computer media or other objects referring thereto, or uses any of the media or instruments referred to in section 1 of Article 197, shall be punished with the penalty of imprisonment of two to four years and a fine of twelve to twenty-four months.*

*2. A penalty of imprisonment of three to five years and a fine of twelve to twenty-four months shall be imposed if the discovered secrets are disclosed, revealed or assigned to third parties.*

*3. The provisions of this Article shall be deemed to be without prejudice to the penalties that may apply for the misappropriation or destruction of computer media.*

*Article 279. The disclosure, revelation or assignment of a trade secret by anyone who is under a legal or contractual obligation to keep it confidential, shall be punished with the penalty of imprisonment of two to four years and a fine of twelve to twenty-four months.*

*If the secret is used for one's own benefit, the penalties imposed shall be half the lower penalty.*

*Article 280. The person who, aware of the unlawful origin thereof, and without having taken part in the discovery thereof, performs any of the conduct described in the two previous Articles, shall be punished with the penalty of imprisonment of one to three years and a fine of twelve to twenty-four months."*

(II) As for the second group of provisions, we find several norms where the trade secrets are indirectly regulated. Examples of these regulations are:

- (i) The Capital Companies Act approved by Royal Decree 1/2010, 2nd of July. The article 232 of such Act states that the administrators, even once they have left the company, they shall keep secrets all data they have had access to by virtue of their functions.
- (ii) Article 65 of the Worker's Statute approved by Royal Decree 1/1995, 24th of March, according to which the members of the Committee ("Comité de empresa") shall keep secret all confidential data and information.
- (iii) Articles 130 and 131 of the Patents Act, Law 11/1986, 20<sup>th</sup> of March<sup>115</sup>, there are regulated some measures the Judges must take into account when investigating the infringement in order to keep some relevant information secret.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil

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<sup>115</sup> Applicable to unfair competition proceedings in accordance with Article 36 of the Unfair Competition Act.

law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

- Unfair Competition Act: unfair competition law.
- Criminal Code: criminal law.
- Capital Companies Act: company law.
- Workers' Statute: employment law.
- Patents Act: intellectual property law.

No definition of trade secrets is provided in any of the aforesaid provisions. Nevertheless, the definition generally acknowledged as the most important in case law is the one deriving from conditions required by TRIPS Agreement (Art. 39.2) namely:

- The information must be secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- The information must have commercial value because it is secret; and
- The information must have been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

Case law has also provided several definitions of trade secrets:

- The judgments of the Madrid Court of Appeal of October 15, 2010 and of October,14 2011 have defined trade secrets as *"the set of information or knowledge that is not public domain and is necessary for the manufacture or marketing of a product, for the production or supply of a service or for the organization and financing of a company"*.
- Likewise, the judgment of the Barcelona Court of Appeal of June 12, 2009 considers trade secrets as *"knowledge or information that is not noticeable, that the company has for its economic value, current or potential, being an advantage to the employer towards the competitors that do not know the information, and on which reasonable and appropriate measures to preserve or avoid disclosure have been taken, preventing others from accessing it and making that only employees that need to manage the information may know or use it, and always subject to a duty of confidentiality"*.

It should be noted that these definitions are related to unfair competition issues (field of law where the concept of trade secrets has been developed) notwithstanding the definition of trade secrets that might be expressly included in non-disclosure agreements.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for

example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Not applicable (see section 2 above).

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

The TRIPS Agreement provides in its article 1.2 that "*for the purposes of this Agreement, the term "intellectual property" refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II*". Since article 39 (included in Section 7) refers to undisclosed information and the conditions it must meet in order to be protected (which have been taken into account by Spanish law for qualifying trade secrets as such), it can be concluded that trade secrets are considered to be intellectual property. There is no Spanish case law in this regard. However, some authors state that trade secrets are deemed to be intellectual property<sup>116</sup>.

The trade secrets are usually studied as a part of intellectual property but the authors make clear that they are not intellectual property rights *sensu stricto* because they are not protected by virtue of absolute rights. Therefore, the owner of a trade secret is not entitled to file action against third parties which have acquired the knowledge of such "trade secrets" in good faith<sup>117</sup>.

The trade secrets are immaterial rights which do not give rise to an *ius prohibendi* and therefore, in contrast with the other intellectual property rights, the protection given by the unfair competition is essential for the trade secrets while it is just subsidiary for the other intellectual property rights such as copyrights, trademarks or patents<sup>118</sup>.

Therefore, trade secrets are not protected in the same way intellectual property rights are. The Spanish legal system does not prevent third parties from exploiting, reproducing and/or using trade secrets. That is not the case of patents, for instance, whose inscription entitles the owner to avoid the reproduction of the invention or exploiting the patent exclusively. However, this protection for patents is limited to 20 years after the inscription. After that, the patent is considered as public and may be used by third parties (article 49 of the 11/1986 Act, March 20, of patents and utility models -hereinafter, "the Patents Act"-).

The Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights has been implemented in Spain by means of the 19/2006 Act, June 5, extending the means for protecting intellectual and industrial property rights and establishing procedural rules to facilitate the application of certain European Community Regulations (hereinafter, "19/2006 Act" – "*Ley 19/2006, de 5 de junio, de ampliación de medios de tutela de los derechos de propiedad intelectual e industrial y se establecen normas procesales para facilitar la aplicación de diversos reglamentos comunitarios*"-).

<sup>116</sup> M.L. Llobregat Hurtado, "*Approach to the concept of trade secret*", Cedex, pp. 23-60, 1999

<sup>117</sup> J. A. Gómez Segade, "*El secreto industrial. Concepto y protección*", Ed. Tecnos. Madrid, 1974. P. 82; 166; 295.

<sup>118</sup> J. A. Gómez Segade, "*El secreto industrial. Concepto y protección*", Ed. Tecnos. Madrid, 1974. P. 85.

The 19/2006 Act amended several Acts (Patents Act or Trade Marks Act, amongst others) without effecting any changes on the Unfair Competition Act. Therefore, it does not apply to the protection of trade secrets.

5. Which different types of trade secrets are recognized in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

As abovementioned in our prior response, trade secrets are recognized to be immaterial rights. The principal characteristic recognized by the authors is that they have to be "secret". They are protected because they are secret and once they are disclosed the protection disappears<sup>119</sup>.

The authors make a difference between three types of trade secrets:

- (i) Technical and industrial secrets ("*secretos técnico-industriales*") - E.g. manufacturing processes)
- (ii) Commercial secrets ("*secretos comerciales*") - E.g. customer lists.
- (iii) Secrets related strictly to the enterprise and its internal/external relations ("*secretos de organización interna y de la empresa*") - E.g. prizes, projects.

The third group of secrets, those strictly related to the enterprise, is different from the other two because these kinds of secrets do not have a commercial value itself but only in relation to the specific enterprise to which they refer. This kind of information is treated as confidential and kept in secret because although it has not an economic value itself, the harm that it can cause if it is used and/or known by other enterprises can be very big<sup>120</sup>.

Some commentators have also considered that trade secrets include any information or proceedings related to the technical aspect of a company, and therefore it is a "*numerus apertus*" system<sup>121</sup>.

In the case law there are no differences in treatment amongst the different types of trade secrets, since articles 13 and 14 of the Unfair Competition Act just refer to "trade secrets" in broad terms without specifying concrete forms.

In this regard, case law has dealt with cases referring to technology, commercial and financial information, know how, list of clients, contract forms or tariffs, amongst other types of trade secrets (Technology/know how: judgment of the Barcelona Court of Appeal of December 16, 2009; Commercial information and lists of clients: judgment of the Vizcaya Court of Appeal of February 9, 2011, judgment of the Bilbao Commercial Court no. 1 of December 30, 2005, judgment of the Seville Commercial Court no. 1 of July 28, 2005).

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

<sup>119</sup> In fact, this is one of the biggest differences between trade secrets and patents. The latter, once the protection has been granted for a 20 years-period by the OEPM (*Oficina Española de Patentes y Marcas*), the invention protected by the patent is disclosed.

J. A. Gómez Segade, "*El secreto industrial. Concepto y protección*", Ed. Tecnos. Madrid, 1974. P. 85.

<sup>120</sup> J. A. Gómez Segade, "*El secreto industrial. Concepto y protección*", Ed. Tecnos. Madrid, 1974. P. 51-52.

<sup>121</sup> Carlos Martín Albornoz, "*Trade secrets. Concept and protection*, by José Antonio Gómez Segade". Revista Crítica de Derecho Inmobiliario, Volume 509, July-August 1975

The main inadequacy we appreciate is precisely the lack of a specific law. In Spain we do not have a specific norm that regulates the trade secrets and therefore, in our opinion, it is highly recommended to have a specific law regulating the trade secrets. The fact that the law does not give a definition of what is understood by "trade secrets" generates a legal uncertainty and too much discretionality in favour of the Judges and Courts.

Another main inadequacy of Spanish law protecting trade secrets is the necessity that the claimant proves its existence, which may imply the disclosure of certain confidential information during the proceedings. Most of the claims seeking for protection of trade secrets are dismissed by Courts due to the lack of proper evidence.

In light of the above, it would be advisable that legislation expressly dealt with this issue and offered specific protection to the claimant who is obliged to disclosure confidential information within the proceedings, in order to support the claim. The right of the defendant to access the information on which the Court will decide must be compatible with the right of the claimant to keep information secret without jeopardizing his defense.

A European harmonized and common legislation for the definition and effective protection of trade secrets would be positive, since it would prevent companies from establishing only in those countries with high trade secrets protection standards.

As regards of positive assets of Spanish law on protection of trade secrets, it is remarkable the variety of remedies that article 32 of the Unfair Competition Act puts at disposal of the aggrieved party, namely:

- Action seeking for the declaration that the disclosure of the trade secret has been unfair.
- Action seeking for the cease of the unfair conduct, the prohibition of its repetition in the future or the prohibition that it happens in the future.
- Action seeking for the removal of all the effects caused by the violation of the trade secret.
- Action seeking for the compensation of the damages caused, if the infringer has acted in a negligent manner or with knowledge of the infringement.
- Action seeking for the compensation due as a consequence of the unfair enrichment of the infringer, provided that the unfair conduct harmed the legal position covered by an exclusive right or a similar one.
- The total or partial publication of the judgment under certain circumstances.

All these remedies enable a comprehensive redress for the claimant whose trade secrets have been disclosed.

There are no current proposals for new legislation in Spain on protection on trade secrets, since the last amendment of the Unfair Competition Act was carried out by means of the 29/2009 Act, December 30, amending the unfair competition legal regime and advertising for improving the consumers protection ("*Ley 29/2009, de 30 de diciembre, por la que se modifica el regimen legal de la competencia desleal y de la publicidad para la mejora de la protección de consumidores y usuarios*") and did not affect the provisions related to trade secrets.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

As regards the existence of trade secrets:

As explained in Section 2, and according to article 39.2 of the TRIPS Agreement, the protection must apply to information that is secret; that has commercial value because of its secrecy and that has been subject to reasonable steps to keep it secret, by the person who legitimately has control over it.

- Regarding the secrecy of the information, the judgment of the Spanish Supreme Court on October 8, 2007 considers the information to be secret *"depending on the utility and value that the owner has given to it"*.
- Regarding the commercial value of the information, the judgment of the Barcelona Court of Appeal of January 13, 2009 states that this description of commercial value *"may include special conditions applied to each customer, discounts, rappels for consumers, sales figures and its evolution, etc"*.
- Regarding the reasonable steps to keep this information secret, the judgment of the Barcelona Court of Appeal of June 12, 2009 requires *"these steps to be reasonable and appropriate to preserve or avoid disclosure, both from outside, preventing others from accessing it, and from inside, making due provision so that this kind of information can only be accessed by employees and their collaborators within the business organization who must manage or handle it, and always subject to a duty of confidentiality"*. Also the judgment of the Barcelona Court of Appeal of October 14, 2010 does refer to these measures *"as not any regular security check on the data management of any company, but to extraordinary measures, which are particularly indicative of the secrecy of the information to be preserved"*.

As regards the existence of unfair competition acts:

As to article 13 of the Unfair Competition Act (breach of secrets), the judgment of the Barcelona Court of Appeal of February 13, 2004 considers *"of great importance the protection of trade secrets for the running of the company as well as for the market and the competitors"*, and describes *"as unfair, among other behaviors, the disclosure or exploitation, without the owner's consent, of trade secrets or any kind of secrets to which he/she had access, either lawfully but under a duty of confidentiality or unlawfully, as a consequence of espionage or any similar behavior"*. It also stipulates that *"for the commission of such illegal acts, is necessary, firstly, that the object of disclosure or exploitation is secret (susceptible or not to lead to an invention regarding intellectual property) or commercial. It is also necessary to have had access to it unlawfully or if lawfully, under a duty of confidentiality, and finally, also requires that the aim pursued by the agent is to obtain profit, directly or for a third party or to damage the holder of the secret"*.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

J. A. Gómez Segade, *"El secreto industrial. Concepto y protección"*, Ed. Tecnos. Madrid, 1974.

Very complete study of the protection of trade secrets.

F. J. Gómez Abelleira, *"Litigios entre empresario y trabajador sobre patentes, secretos industriales y derechos de autor en los Estados Unidos"*, Editores Universidad de la Coruña, 1999

Study based on the comparison with the trade secrets protection in US.

M. L. Llobregat Hurtado, "Aproximación al concepto de secreto empresarial", Cedecs, 1999. Pp. 23-60.

A short study of the concept of trade secrets.

E., Morón Lerma, "El secreto de empresa: protección penal y retos que plantea ante las nuevas tecnologías", Ed. Aranzadi, 2002.

Study of the concept of trade secrets from a criminal law perspective.

C., Fernández-Nóvoa, "El enriquecimiento injustificado en el derecho industrial", Editorial Marcial Pons, 1998.

Study of the concept of trade secrets taking into account the unfair competition law.

M. T. Fernández Sánchez, "Protección penal del secreto de empresa", Ed. Colex, 2000.

Study of the concept of trade secrets from a criminal law perspective.

J.M. Romaña, José Miguel, "Espionaje industrial", Ediciones Mensajero, 1999.

Study of the concept of trade secrets from a criminal law perspective.

A. Frignani, "Secretos de empresa" (En el derecho Italiano y comparado), Artículo en Revista de la Facultad de Derecho de la Universidad Complutense, Nº 73, Madrid, 1998.

Study of the trade secrets protection taking into account the differences and similarities between Spain and Italy.

M. d. M. Carrasco Andrino, "La protección penal del secreto de empresa", Ed. Cedecs, 1998.

Study of the concept of trade secrets from a criminal law perspective.

N. Alcalde, "Especial examen de la competencia desleal ante la jurisdicción civil" ("Study of the unfair competition before civil Courts"), Derecho y Empresa, Volume 1, February 2005.

Study of the concept of trade secrets from a civil law perspective.

Carlos Martín Alborno, "El secreto industrial. Concepto y protección, de José Antonio Gómez Segade" ("Trade secrets. Concept and protection"), Revista Crítica de Derecho Inmobiliario, Volume 509, July-August 1975.

Article regarding the abovementioned book of J.A. Gómez Segade.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorized use, unauthorized disclosure, misappropriation, or any form of trade secret infringement?

In order to commence legal proceedings for unauthorized use, unauthorized disclosure, misappropriation, or any form of trade secret infringement, the elements to be previously established must be:

- (i) the concurrence of the conditions capable to qualify as trade secret, and
- (ii) the concurrence of certain circumstances that entitles the aggrieved party to bring actions under article 13 of the Unfair Competition Act.

(i) In order to qualify a trade secret as such, it must be ascertained pursuant to article 39.2 of the TRIPS Agreement that:

- The information is not generally known or readily accessible to people that normally deal with that type of information.
- The information has commercial value because it is secret.

- The measures taken to keep the information secret by the person lawfully in control have been reasonable in the circumstances.

(ii) Once given the above, the circumstances provided in article 13 of the Unfair Competition Act to be met, in order to bring judicial actions on the basis of a breach, are the following:

- The disclosure or exploitation, without the owner's consent of trade secrets.
- The access to the trade secrets must have been obtained lawfully, but under a duty of confidentiality, or unlawfully.
- The breach must have been committed in order to obtain a benefit, directly or for a third party, or to damage the owner of the trade secret.

2. What civil remedies are made available? Are the remedies cumulative?

According to article 32 of the Unfair Competition Act, the remedies available for the aggrieved party are the following:

- Action seeking for the declaration that the disclosure of the trade secret has been unfair.
- Action seeking for ceasing the disclosure of trade secrets, the prohibition of another disclosure of trade secrets in the future or the prohibition of disclosing trade secrets in the future.
- Action seeking for the removal of all the effects caused by the disclosure of trade secrets.
- Action seeking for the compensation of the damages caused, if the infringer has acted in a negligent manner or with knowledge of the infringement.
- Action seeking for the compensation due as a consequence of the unfair enrichment of the infringer, provided that the disclosure of trade secrets harmed the legal position covered by an exclusive right or a similar one.
- The total or partial publication of the judgment under certain circumstances.

All these remedies are cumulative.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain *ex parte* orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

According to article 36 of the Unfair Competition Act, anyone who intends to bring an unfair competition action may ask the Judge to order preliminary inspections to verify the facts, the knowledge of which turns out to be objectively essential to prepare the claim. This kind of court order constitutes a common *ex parte* procedure in intellectual property. However, such procedures shall be carried out in accordance with articles 129 to 132 of the Patent Act, and may include the company's entire business.

Under these provisions, the person authorized to bring actions may request the judge to urgently adopt any measures needed for determining the facts that may constitute the infringement.

Before ruling on the request, the judge may require all the appropriate reports and order investigations. The proceedings may only be carried out when, given the circumstances, an infringement may be presumed, and it is not possible to determine the truth of it without resorting to the measures requested. When ordering those measures, the judge shall fix the security to be provided by the petitioner to compensate the damages that



might arise. If the judge does not consider the claim to be grounded, it will be dismissed.

The judge, assisted by the expert or experts appointed, and after hearing the statements of the person involved in the investigations, will determine whether the machines, devices or equipment inspected could be used to carry out the alleged infringement.

When the judge considers it is not presumed that the inspected means are serving to carry out the infringement, he/she will terminate the inquiry and shall order to open separate proceedings, which will remain secret, and the Court Clerk will inform the petitioner that he will not receive the result of the investigations carried out.

Otherwise, the Judge, with assistance of the expert or experts appointed for that purpose, shall make a detailed description of the machines, devices, processes or equipment by means of which the infringement has been presumably carried out.

Anyway, the Judge should ensure that any inspection is not used as a means of infringing trade secrets or carrying out acts of unfair competition. The decision of the judge on the outcome of the inquiry will not be appealable.

Of any inspections carried out, only the certificates or copies intended for the affected party and the information to the applicant to bring the legal action will be issued. The applicant may only use these documents to bring such action, but may not disclose or communicate it to third parties. If the claim has not been filed within two months from the date of the inspections, those inspections will be void and may not be used in any other court action.

Lastly, the party affected by any inspection may claim to the party who requested for it, those costs and damages that may have been caused, including loss of profit, notwithstanding the general liability for damages in which the applicant of the action may have incurred.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions expedite action on the merits – cease and desist action?

The only form of relief is by means of injunctions. Under article 730 of the Spanish Civil Procedure Act ("*Ley de Enjuiciamiento Civil*"), the aggrieved party may request for injunctions prior to the filing of the claim, together with the claim or once the judicial proceedings have commenced. The request for the adoption of injunctions must justify that there are enough grounds for upholding the claim of the aggrieved party, and that the time needed for carrying out the judicial proceedings may cause an irreparable harm.

For instance, the aggrieved party can request as an injunction the ceasing of the activity of the defendant (Court ruling of the Seville Court of Appeal of February 22, 2010 or the withdrawal of the product resulting from a trade secrets disclosure (Court ruling of the Barcelona Court of Appeal of April 14, 2000).

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

First of all it is worth mentioning that according to article 728 of the Spanish Civil Procedure Act no injunctions shall be decided if they are aimed at altering situations

that the applicant has been accepting for long, unless the applicant justifies the reason why the injunction could not be requested before.

Apart from that, if the aggrieved party requests for the adoption of preliminary injunctions, said party will have to file a claim with the Court within a period of twenty (20) working days from the date the injunction was adopted by the Court. If the party fails to do so, the Court will lift or revoke any acts that have been performed (article 730 of the Spanish Civil Procedure Act).

In any event, an injunction shall not be maintained once the main proceedings come to an end. If the judgment is favorable to the party who requested for the injunction (i.e. the judgment sentences the infringer), the measures adopted shall be maintained until enforcement is sought within twenty (20) working days. Upon expiry of said time limit, the measures adopted shall be lifted. In addition, the injunction will also be lifted when the proceedings have been suspended for more than six (6) months for reasons attributable to the applicant of the measure (article 731 of the Spanish Civil Procedure Act).

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

The average duration of judicial proceedings in first instance is in the region of 12-24 months.

The cost shall be given by:

- Court Tax: Companies with net sales exceeding EUR 10,000,000 in the previous fiscal year to the one when the claim is filed, will be obliged to pay a Court tax for a fix sum of EUR 150 (ordinary proceedings) plus a variable sum depending on the amount in dispute (said variable sum shall not exceed the amount of EUR 6,000).
- Attorney fees: Despite the fact that law firms may fix their own fees, the Bar Associations existing all over the Spanish territory have published standard guidelines on fees, which will depend on the amount in dispute.
- Trial attorney fees: These fees are a minor cost and shall also be calculated on the basis of the amount in dispute.
- Other costs: Expert reports, translations, travelling expenses for attending the hearings.
- Court costs, if the claim was dismissed, for an amount depending on the amount in dispute.

For the reasons explained above, it is not possible to determine beforehand the cost of proceedings, which shall be given mainly by the amount in dispute and the complexity of the dispute.

(d) Are cases involving technical trade secrets heard by specialist judges?

Cases involving trade secrets infringements (either technical or not) under the Unfair Competition Act are heard by Commercial judges, since according to article 86 ter 2 of the Spanish Judiciary Act ("*Ley Orgánica del Poder Judicial*") the Commercial Courts shall hear of any disputes related to unfair competition issues, industrial and intellectual property and advertising.

Nevertheless, it should be pointed out that Commercial Courts are entitled to hear not only of unfair competition issues but also of any matters connected with insolvency proceedings, domestic or international transport, maritime law application, or standard terms and conditions, amongst others.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

When entering into judicial proceedings, the secrecy of information may be at risk. Article 232 of the Spanish Judiciary Act ("*Ley Orgánica del Poder Judicial*") provides that judicial proceedings shall be public and, exceptionally, for reasons of public order and protection of rights and freedom, Courts may limit this publicity and decide that the proceedings shall be totally or partially secret.

In addition, according to the Spanish Civil Procedure Act the parties shall bear the burden of proving their claims and filing any documents needed in order to evidence their pleadings. It is worth mentioning in this regard that many claims seeking for protection of trade secrets are dismissed due to the lack of proper evidence submitted by the claimant.

However, there are no discovery actions under Spanish law which may oblige one party to provide documents at the request of the other party.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

The latest study published by the General Council of the Judiciary ("*Consejo General del Poder Judicial*") on the Spanish Judiciary relates to the figures of 2010, and only provide the number of civil cases handled in 2010 without specifying how many were related to trade secrets actions. However, around 10 judgments related to trade secrets cases were published in 2010 and 20 judgments in 2011 in Westlaw case law data base (a private non-comprehensive data base which does not include all the judgments issued by Courts).

The main subject of court litigations is commercial and financial information, such as lists of clients or contract forms (judgment of the Vizcaya Court of Appeal of February 9, 2011, judgment of the Bilbao Commercial Court no. 1 of December 30, 2005 or the judgment of the Seville Commercial Court no. 1 of July 28, 2005).

Courts are reluctant to uphold trade secrets actions unless the claimant sufficiently proves the existence of the trade secret and the concurrence of the conditions set forth in articles 13 and/or 14 of the Unfair Competition Act. Most of the claims are dismissed.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

As explained in paragraph (f) above, the claimant may encounter difficulties when proving the existence of a trade secret and the concurrence of the conditions set forth in articles 13 and/or 14 of the Unfair Competition Act determining the infringement.

5. What defenses are available to the defendant in a trade secrets action?

The main defense available to the defendant that Spanish Courts usually take into account is the lack of evidence provided by the claimant as regards both the existence of a trade secret and the concurrence of the conditions set forth in articles 13 and/or 14 of the Unfair Competition Act.

In this regard case law has dismissed the claim filed by the aggrieved party on the following basis:

- Judgment of the Vizcaya Court of Appeal of February 9, 2011 states that: "*the information does not meet the requirements outlined; hence it was known and easily accessible, such as standard contracts, fares, and lists of clients...*"

- Judgment of the Supreme Court of November 26, 2006 and judgment of Tarragona Court of Appeal [JUR\16487\2008] of March 10, 2008 state that the information obtained from the abilities, skills and experience of a worker can not be subject to trade secret, even when those abilities or skills have been acquired in the performance of a particular job or a certain function.

- Judgment of the Barcelona Court of Appeal of May 7, 2009 states that there is not enough evidence, on the one hand, of the secrecy of the information, and on the other hand, of the special or appropriate steps taken by the company in order to protect this kind of information.

- Judgment of the Granada Court of Appeal of March 25, 2003 stipulates that "*to constitute an unfair behavior it is necessary to observe in such behavior the subjective and intentional element in those actions are aimed at disclosure or exploitation of a trade secret, or if it is accompanied by circumstances such as deception, the intention to eliminate a competitor from the market...*"

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

The requisite that is most considered by Spanish Courts when granting or not protection to trade secrets is the adoption by the aggrieved party of adequate measures to protect secrecy (judgment of the Barcelona Court of Appeal of June 12, 2009, judgment of the Vizcaya Court of Appeal of February 9, 2011).

The secrets owner is requested to prove this importance by submitting evidence of the measures taken to protect secrecy, so as the information cannot be understood as public knowledge within the business usages.

7. As to award of damages:

(a) What are the available options?

The Unfair Competition Act provides two cumulative options for claiming damages:

6. Action seeking for the compensation of the damages caused, if the infringer has acted in a negligent manner or with knowledge of the infringement (article 32.1.5), and
7. Action seeking for the compensation due as a consequence of the unfair enrichment of the infringer, provided that the unfair conduct harmed the legal position covered by an exclusive right or a similar one (article 32.1.6).

(b) What are the criteria to determine and calculate damages?

The general principles of civil law apply and therefore damages shall be given by: (i) material damages and (ii) loss of profit. Both should be evidenced beyond reasonable doubt. Whereas submitting evidence on material damages are expenses is not particularly complicated, proving the existence of a loss of profit for the aggrieved party turns out to be more difficult and Courts are reluctant to its recognition.

Therefore, in order to evidence the loss of profit suffered by the aggrieved party it is advisable that the claimant submits an expert report showing the losses incurred as a consequence of the disclosure of the trade secret.

(c) Are punitive damages available for breach of trade secrets?

Punitive damages do not exist under Spanish law.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

Courts award damages on a case by case basis, depending on the damages effectively proved by the claimant.

There are no official statistics on this kind of figures. In any event, Spanish Courts usually dismiss claims seeking for the protection of trade secrets due to the lack of evidence submitted by the claimant on the existence of trade secrets and the misconduct of the infringer.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Yes. Article 13.1 of the Unfair Competition Act refers to the "*disclosure or exploitation, without the owner's consent, of trade secrets or any other type of trade secrets previously obtained either lawfully, but with a duty of non disclosure, or unlawfully*" whereas article 13.2 refers to "*the acquisition of secrets through espionage or similar proceedings*".

Nonetheless, the remedies provided in article 32 of the Unfair Competition Act do not distinguish between both types of breach and are available for the claimant regardless the type of infringement committed.

Irrespective of the remedies provided in the Unfair Competition Act as to these types of infringements (either violations resulting from a contractual breach or from fraud, espionage, other improper actions), it is remarkable the fact that, in any event, and even if the conditions set forth in articles 13 of the Unfair Competition Act do not concur, the breach of any contractual instrument entitles the aggrieved party to bring contractual liability actions and claim for the damages caused.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

This is the situation foreseen in article 13.1 of the Unfair Competition Act when providing that "*the disclosure or exploitation, without the owner's consent of trade secrets or any*

other type of trade secrets previously obtained either lawfully, but with a duty of non disclosure”.

Therefore, remedies provided in article 32 of the Unfair Competition Act will be enforceable only if the person who obtained the trade secrets in good faith was obliged to act under a duty of confidentiality.

(b) A person who autonomously developed the same information?

No. If different employers independently developed the same information, they would be entitled to use the same trade secret simultaneously in a confidential manner until the information is disclosed.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- While the employee is still employed?

The employer can prevent an employee from misusing or disclosing its trade secrets by signing a confidentiality agreement or including confidentiality clauses (non disclosure clauses) in the employment contract. Enforceability of such agreements or clauses will depend on the employer's ability to provide evidence of the employee's infraction and the damages caused thereof.

In any case, in the lack of confidentiality agreement, pursuant to article 5 a) of the Labor Act the employee would also be compelled from misusing or disclosing the company's trade secrets by the general principle of *bona fides*.

In case of very serious infringements of trade secrets if the employer is able to prove that the employee committed such infractions, the Company may terminate the employment contract by means of disciplinary dismissal. The risk of dismissal may encourage employees not to breach their confidentiality obligations.

In addition, the employer may file a claim for the damages caused the employee either before the Labor or Civil Courts. In this case, in addition to evidence the breach of the legal and/or contractual rights it would also be necessary to prove the damages caused to the company.

Finally, the Criminal Code may also apply (see question A1 of the Criminal Law Questionnaire).

- Once the employee has left his employment?

The employer can prevent an employee from misusing or disclosing its trade secrets by signing a confidentiality agreement, including confidentiality clauses (non disclosure clauses) or non-compete after termination agreement in the employment contract. Enforceability of such agreements or clauses will depend on the employer's ability to provide evidence of the employee's infraction and the damages caused thereof. Non-competition clauses may prove more useful to prevent employees from disclosing trade secrets as employees will not be able to compete with the company or collaborate with other competitors.

In any case, in the lack of confidentiality agreement, pursuant to article 5 a) of the Labor Act the employee would also be compelled from misusing or disclosing the company's trade secrets by the general principle of *bona fides*. However we would recommend entering into specific non disclosure clauses either in the employment contract or the termination agreement.

As mentioned above, the employer may file a claim for damages against the employee. The employer should be able to prove that the employee committed such infractions and the damages caused to the company.

Finally, the Criminal Code may also apply (see question A1 of the Criminal Law Questionnaire).

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Non-disclosure agreement (a) and (b):

*General duties of diligence and fundamental ethical duties*

*The Employee shall render the services proper to his position in the manner established by the Company, always in accordance with its instructions, and committing himself to offer his utmost interest and dedication in carrying out the same.*

*Furthermore, the rendering by the Employee of employment, civil or commercial services, paid or otherwise, to companies whose activities could in any way adversely affect the Company's business shall be treated as unfair competition.*

*In performing his tasks and obligations, the Employee shall adapt to the common uses and customs of the Company and the sector, complying with the Company's policies, procedures and rules of conduct, as applicable from time to time, which are considered to form part of the Employee's contractual obligations.*

*The Employee must not either during his employment (except in the proper performance of his duties) or at any time (without limit) after the termination of his employment, directly or indirectly (a) use for his own purposes or those of any other person, company, business entity or other organization whatsoever, or (b) disclose to any person, company, business entity or other organization whatsoever, any trade secrets or confidential information relating or belonging to the Company or any Group Company.*

*This type of information includes but is not limited to any such information relating to customers, customer lists or requirements, methodologies relating to the delivery of client services, price lists or pricing structures, business development activities, strategies and plans, lists of employees, officers or contractors and details of remuneration packages and terms of employment/engagement, financial information and plans, details of proposals relating to acquisitions or disposals by the Company or any Group Company, designs, formulae, product lines, research activities, prototypes, services, source codes and computer systems, software, any document marked "Confidential" (or with a similar expression), or any information which the Employee has been told is confidential or which the Employee might reasonably expect the Company would regard as confidential, or any information which has been given to the Company or any Group Company in confidence by customers, prospective customers, suppliers or other persons.*

*The trade secrets and confidential information shall remain so unless and until they enter the public domain, other than by way of unauthorized disclosure by any person.*

*In any case, the Employee commits to comply with any Company's policies in force aimed at regulating the use of the information obtained by the Employee directly or indirectly through his employment with the Company.*

Termination clause (b):

*Upon termination of the employment Agreement, the Employee shall immediately return to the Company in their entirety, all objects belonging to the Company and/or its parent Company and/or other enterprises related to the Company which are still in his possession, as well as all documents concerning matters of the aforementioned companies including without limitation, hardware, software, magnetic discs, keys, credit cards, sketches, samples, printed matter, notes, drafts, and other documents (whatever the medium of storing such information), as well as all copies including carbon copies. The Employee has no right to withhold such objects and documents.*

*Additionally, upon said termination of the employment Agreement, the Employee shall immediately irretrievably delete any information relating to the business of the Company stored on any magnetic or optical disc or memory and all matter derived there from which is in his possession, custody, care or control outside the premises of the Company and which is not in a physical form capable of being returned to the Company or stored on Company equipment, and shall produce such evidence of compliance with this obligation as the Company may require.*

*Breach of these obligations upon termination of the employment agreement shall give rise to the corresponding legal responsibilities.*

Non-competition clause (b):

*Due to the nature of the duties of this Agreement and due to the special circumstances of the Company in the market activity of the same, both parties agree that the Employee shall not render services directly or indirectly as an employee, officer, director, shareholder, lender, sales representative or otherwise, to any company or business competing directly with the Company in Spain in providing services which are the same as or similar to those provided by the Employee under this Agreement.*

*Specifically, both parties recognize that the rendering of services by the Top Executive for the competing companies included but not limited in the following list, shall be qualify as direct competition with the Company: [INCLUDE NAME OF COMPETITORS].*

*Likewise, both parties agree that the Employee shall not, either on his/her own account or on behalf of any other person, firm, company or organization, directly or indirectly, solicit or endeavour to entice away from the Company any person, firm or company who is at the date of such termination a customer or employee of the Company of managerial, technical or sales grade. The Employee shall not interfere with the supply of goods or services to the Company from any supplier, or induce any supplier to the Company to cease or decline to supply such goods or services in the future.*

*The above mentioned non competition after termination and non solicitation obligations will be applicable for a period of [UP TO A MAXIMUM OF TWO YEARS OR SIX MONTHS IF EMPLOYEE NOT HIGHLY QUALIFIED] as from the date this Agreement is terminated, regardless of the reason for the termination.*

*The Employee will, for each month that the non-competition and non solicitation obligations are in effect, receive an amount equal to [BETWEEN 50% AND 100%] of*



*the fixed monthly gross remuneration that the Employee was receiving at the time the Agreement is terminated. Said amount will be paid in [DEPENDING ON THE LENGTH OF THE OBLIGATIONS, UP TO A MAXIMUM OF 24 MONTHS] monthly instalments during the period during which the non-competition and non solicitation obligations are in effect.*

*If the Employee fails to comply with these provisions, he shall return any compensation paid by the Company as well as any amounts that could result from the damages caused, which shall be established by the courts of applicable jurisdiction. In addition, the Company will immediately cease paying the Employee the compensation agreed.*

As regards enforceability, both the non-disclosure agreements and the non-competition clauses are enforceable. In any case, to non-competition clauses should be linked to an economic compensation and be limited in time (e.g. maximum of 2 years for highly skilled employees) to be enforceable. As mentioned above, enforceability of confidentiality or non-compete agreements or clauses will depend on the employer's ability to provide evidence of the employee's breach of the contractual or legal obligations. With regards to damage claims, in addition to evidence it would also be necessary to evidence the damages caused to the company as a consequence of the employee's behavior.

Notwithstanding the foregoing, the unfulfilment of any of these clauses (i.e. non disclosure and/or non competition) is a mere contractual breach that may not be considered as an unfair competition act (judgment issued by the Barcelona Court of Appeal on 11 March 2003). Therefore, a breach of a non disclosure agreement or a non-competition clause does not entitle the aggrieved party *per se* to bring actions under article 32 of the Unfair Competition Act, unless the conditions set forth in articles 13 of said Act concur.

Finally, article 13 of the Unfair Competition Act protects "*trade secrets or any other type of trade secrets*". Therefore, Courts do not distinguish between "real" trade secrets and general information that happens to be confidential when applying said provision (judgment issued by the Barcelona Court of Appeal on 7 May 2009).

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

1. - Civil proceedings vs. criminal proceedings:

The main advantage of reverting to civil proceedings instead of criminal is length of the proceedings. Despite the huge workload that Civil and Commercial Courts bear and the time needed for getting a judgment in first instance (in the region of 12-24 months), proceedings are faster than criminal ones, in which just the very first stage of the first instance (the investigation phase) takes one year approximately.

Nevertheless, if the aggrieved party starts civil proceedings, the claim will be limited to seek for damages, whereas the criminal proceedings will settle not only civil liabilities but also the criminal ones (which may involve imprisonment for the infringer).

2. - Civil proceedings vs. administrative proceedings:

It should be noted that the scope of civil proceedings differs from administrative ones and cannot be compared. Civil (Commercial) Courts shall hear of any claims related to unfair competition infringements (aimed at getting a compensation for the damages

caused), whereas the Spanish National Competition Authority ("CNC") shall only hear of any complaints filed on the basis of competition law (in which the aggrieved party shall pursue the imposition of penalties on the infringer by the authorities).

That is to say, depending on the interest protected (private interest, in case an unfair competition infringement, or public interest, in case of a competition law infringement) the aggrieved party shall start civil or administrative proceedings, without being able to freely opt.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

In Spain companies usually protect their trade secrets by means of non-disclosure agreements and post-contractual non-competition clauses. Licensing is also common when transferring know how.

As regards enforceability of all these solutions, see Section 10 above (the breach of any of these contractual obligations entitles the aggrieved party to bring contractual liability actions and seek for damages, irrespective of the concurrence of the conditions set forth in article 13 of the Unfair Competition Act, which would enable the party to file unfair competition actions either jointly or alternatively to the contractual liability actions).

13. With regards to non disclosure and non use agreements:

- Are they effective and enforceable in your jurisdiction?

They are effective and enforceable (see Section 10 above). As regards the actions to be brought on the basis of a contractual breach (instead of on the basis of an unfair competition infringement), it should be noted that the existence of penalty clauses in the contract facilitates the quantification of damages.

- If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Prevailing enforcement is provided by contract law, since the breach of this type of agreements would be, in any event, a contractual infringement. In addition, should the conditions set forth in article 13 of the Unfair Competition Act concurred, the claimant would also be entitled to use the remedies provided in article 32 of said Act.

- Does the US doctrine of inevitable disclosure exist in your jurisdiction?

No. Spanish case law provides that employees are free to terminate their employment contract and be engaged by another employee to develop a similar activity, as long there were not post-contractual non-competition clauses in their previous employment contracts (which are conditioned on a temporal limitation of their effects and compensation to be paid to the employee).

- The judgment of the Oviedo Commercial Court no. 1 of January 10, 2007 indicates that *"it should be noted that in a system like ours, based on the principles of market freedom and free competition, a worker cannot be tied to his company, since the possibility of opting for changing of employer and carrying out his work in another company, even being a competitor of the former, is a constitutionally protected right (article 35), being also lawful attracting workers for other employer who acts in the same market sector offering better working conditions, because it is part of the competition game since, as the Supreme Court judgments dated 11 October 1999, 1 April 2002 and 28 September 2005 state, an employee cannot be prevented from*

*leaving his work and develop an activity similar to that one he was professionally prepared for, if there was no non competition clause in its employment contract”.*

- The judgment of the Madrid Commercial Court no. 6 of February 21, 2011 provides that *“inducing workers to put an end, on a regular basis, to their employment relationship with their former employer is not unfair if the aim is to profit from their expertise and professional capabilities, even if they have been acquired in the course of their previous work. Otherwise the freedom to develop the profession wherever the employee wants would be restricted. The employer whose offer determines that an employee employed by a third party terminates his contract by means of resigning in order to work with the latter employer, does not constitute an unfair competition act as long as the circumstances explained above do not concur”.*

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) The parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

According to article 36 of the Spanish Civil Procedure Act, the extent and limits of the competence of the Spanish Courts are determined by the provisions of the Spanish Judiciary Act and the treaties and international agreements to which Spain is party.

The unfair competition actions (such as those ones brought against trade secrets infringements) are not affected by an exclusive jurisdiction under article 22.1<sup>o</sup> of the Spanish Judiciary Act. Therefore, the express and tacit submission to the Spanish judge and the domicile of the defendant within the Spanish territory will be the criteria to take into account. In the absence of any of the above connections, special jurisdiction rules shall apply and therefore Spanish Courts shall have jurisdiction if the act occurred within Spanish territory.

In addition, besides the national legislation, the Council Regulation (EC) no. 44/2001 applies if EU Member States are involved. In this case, special jurisdiction rules shall also be taken into account so as, if unfair competition actions are brought, jurisdiction may be attributed to the courts of the place where the harmful event occurred or may occur (article 5.3).

All this approach has been confirmed by the Court ruling of the Barcelona Court of Appeal of January 18, 2006.

Bearing in mind the above, trade secrets litigation could only be started in Spain as long as the defendant was domiciled in Spain or, failing such circumstance, the harmful event had occurred in Spain. Therefore, litigation could be brought before Spanish Courts in cases (a) and (c).

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

In this regard there are two possible scenarios:

1. - Judgment issued within a European jurisdiction:

According to articles 34 and 41 of the Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, the foreign judgment will be enforced by the Spanish Courts unless:

- Such recognition is manifestly contrary to public policy in the Member State in which recognition is sought;
- It was given in default of appearance, if the defendant was not served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable him to arrange for his defense, unless the defendant failed to commence proceedings to challenge the judgment when it was possible for him to do so;
- It is irreconcilable with a judgment given in a dispute between the same parties in the Member State in which recognition is sought;
- It is irreconcilable with an earlier judgment given in another Member State or in a third State involving the same cause of action and between the same parties, provided that the earlier judgment fulfils the conditions necessary for its recognition in the Member State addressed.

The Court ruling of the Supreme Court on March 4, 2003 held that the concept of public policy, from an international perspective, is identified with the rights and guarantees enshrined in the Constitution.

In this regard, foreign judgments on trade secrets shall be enforceable in Spain as long as its enforcement does not infringe the constitutional rights of the defendant against whom enforcement is sought.

2. - Judgment issued within a non-European jurisdiction:

In this case, articles 951 to 958 of the former Spanish Civil Procedure Act from 1881 apply and therefore judgments will be enforced pursuant to the treaty entered into by the country where the judgment is issued and Spain.

In the absence of such treaty, if the judgment is issued in a country that does not grant enforcement to judgments issued in Spain, then the enforcement will be denied. Otherwise, the judgment will be enforceable as long as these circumstances concur:

- The judgment must decide on a "personal" action (instead of an action *in rem*).
- The judgment must have not been given in default of appearance.
- The obligation to be enforced is lawful in Spain.
- The judgment must meet the requirements needed both in the country of origin and in Spain for considering the judgment as authentic.

Therefore, the provisions on enforcement of judgments issued within a non-European jurisdiction are more restrictive than the provisions on enforcement of judgments issued within a European jurisdiction.

## Sweden

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

Sweden has since 1990 provided a specific law regarding protection of trade secrets, the Act (1990:409) on the Protection of Trade Secrets [Sw. Lag (1990:409) om skydd för företagshemligheter] (hereinafter referred to as the "Trade Secrets Act").

The Trade Secrets Act contains criminal regulations on trade espionage and unlawful dealing with trade secrets as well as civil regulations on liability for damages for criminal and non-criminal acts involving unlawful use and disclosure of trade secrets.

The Trade Secrets Act together with case law from the Swedish General Courts and the Labour Court is the central source of law in this respect. The TRIPS Agreement is not self-executing under Swedish law.

In addition to the Trade Secrets Act there are also criminal provisions in the Swedish Penal Code that can be applicable. These provisions are further described in the Criminal Law Questionnaire.

The Public Access to Information and Secrecy Act (2009:400) [Sw. Offentlighets- och sekretesslag (2009:400)] contains some rules regarding the protection of trade secrets, which are described further in their context below. The Swedish Competition Act also contains regulations on the protection of trade secrets constituting technical information in connection with dawn raids.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non-contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Section 1 in the Trade Secrets Act contains the following definition of trade secrets:

*"For the purpose of this act a trade secret means such information on business relations or operating conditions of a business in somebody's business which is kept secret and of which the disclosure is aimed to cause damage to the business proprietor from a competition point of view.*

The term "information" means "information documented in some form, including drawings, models and other similar technical prototypes, as well as the knowledge of single individuals about a specific circumstance even where it has not been documented in some form". Information that constitutes personal skills, experience and knowledge of an individual is not protected by the Trade Secrets Act. If the information is so connected to a specific individual that it cannot by instructions or direction be transferred to someone else, the information should be considered as a skill of personal nature rather than information according to the Trade Secrets Act.

Consequently, in order to be considered trade secrets under the Trade Secrets Act information must (i) concern business conditions or operating conditions of a business (ii) be kept confidential, and (iii) a disclosure of the information must be likely to be damaging for the competitiveness of the business in question.

The act protects natural and legal persons who is professionally engaged in activities of an economic nature. Public actors are excluded from the protection. Whether or not political parties and religious communions are excluded is unclear. It is not required that the information has in fact been used in the business. Thus even companies in the start-up phase can rely on the protection. The holder does neither have to have a certain market position.

Individuals who have access to the information must be identifiable and belong to a closed circle in the sense that they have received the information under such conditions that they cannot freely spread it further. Even a large number of people, for instance 500 engineers can have access to the information, and be deemed to belong to a close circle. There are no formalities regarding how to keep the information secret. For instance it is not necessary to have signed non-disclosure agreements. However, the owner of the information, is likely to bear the risk of uncertainty as to whether or not specific information etc. is confidential. A case-by-case assessment normally needs to be done in each individual case.

When assessing whether or not the disclosure is damaging to the business the court determines whether certain kind of information typically would have an effect on the competitiveness. In accordance with the preparatory legislative work of the Trade Secrets Act, even relatively trivial details may qualify as trade secrets. However it has to be information specific to the business. For instance in a case the court established that mere public forms in a folder did not contain trade secrets.

In accordance with Section 2 in the Trade Secrets Act, the Act does only apply to unauthorized attacks on trade secrets. Disclosures aiming to reveal criminal activity and other wrongdoings of a company, i.e. so called "whistle blowing" are allowed. In this aspect the freedom of speech has a strong protection under the Swedish constitution.

It is also permitted to use or disclose a trade secret that you or somebody before you gained knowledge of in good faith. Therefore it is important that the owner gives clear instructions how to handle certain information or that certain employment guidelines and policies are in place.

Sections 3 and 4 in the Trade Secrets Act contains criminal regulations for trade espionage and unauthorized dealing with trade secrets further described in the Criminal Law Questionnaire.

Section 5 in the Trade Secrets Act regulates liability for damages regarding criminal acts (Civil law), and is further described below under Question B 2 A (i).

Section 6 in the Trade Secrets Act regulates liability for damages regarding breach of confidentiality obligations in a business relationship (Civil law), and is further described below under Question B 2 A (ii).

Section 7 in the Trade Secrets Act regulates damages for breach of confidentiality obligations in employment (Civil law), and is further described below under Question B 2 A (iii).

Section 8 in the Trade Secrets Act regulates liability for damages regarding subsequent dealings with a trade secret by a third party (Civil law), and is further described below under Question B 2 A (iv).

Section 9 in the Trade Secrets Act regulates the amount of compensation to be paid under sections 5-8 (Civil law), and is further described below under Question B 7 B.

Section 10 in the Trade Secrets Act regulates the limitation of claims (Civil law), and is further described below under Question B 7 A.

Section 11 in the Trade Secrets Act regulates an injunctive relief of a prohibition under a fine (Procedural law), and is further described below under Question B 2 B.

Section 12 in the Trade Secrets Act regulates vacation of injunctions (Procedural law), and is further described below under Question B 2 B.

Section 13 in the Trade Secrets Act regulates preliminary measures (Procedural law), and is further described below under Question B 4 B.

Section 14 in the Trade Secrets Act regulates the surrender and redemption of documents or objects containing trade secrets (Procedural law), and is further described below under Question B 2 C.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

N/A

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

N/A

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Trade secrets are not regarded as intellectual property in Sweden. It is considered closely related to intellectual property, however not protected as such. Trade secrets are not exclusive rights per se and do not have the same protection. The legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights), namely amendments in i.a. the Trademarks Act, Design Protection Act, and the Patents Act are not as such applicable to the protection of trade secrets.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

Different types of trade secrets can be recognized as trade secrets in Sweden, such as manufacturing technology, commercial know how, price lists, customer lists and financial reports etc. Also relatively trivial details can qualify as trade secrets. The requirement is that they fall within the scope of the definition in Section 1 in the Trade Secrets Act described above under Question A 2. Different types of trade secrets are not treated different by the law.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

Related to civil actions, there could in our opinion be a need to introduce additional measures in order to secure evidence more effectively. The TRIPS Agreement was not considered when the Trade Secrets Act came to force. In 2008 a Governmental Legislative Committee was assigned to review certain issues on the protection of trade secrets and to consider possible amendments to the Trade Secrets Act. The Committee's report was presented in 2008 (Swedish Government Official Report, SOU 2008:63). The legislative work is under progress but it is unclear if and when these proposals will be effectuated. In accordance with information from the Swedish Ministry of Justice we can at least not expect a government bill before October 2012.

The Governmental Legislative Committee proposed that the Trade Secrets Act should be amended in accordance with Section 50 in the TRIPS Agreement regarding provisional measures. A new rule was proposed concerning a new measure for securing evidence, corresponding to the provision on infringement investigations related to intellectual property infringements. It would then be possible to apply for a court order for a search for evidence, enforceable through the Enforcement Agency.

The Committee also proposed a new rule on liability for damages for anyone who without valid cause, uses or discloses trade secrets obtained in court proceedings in its business operations.

As regards criminal liability, it is conditioned upon that the prosecutor can prove that the suspect has gained access of the information in an unlawful manner. This means that criminal liability can not be charged upon somebody that was informed of confidential information in a business meeting or gained knowledge of confidential information in line with his or her work tasks. In such cases it might be possible to initiate civil proceedings in stead, if the information was unlawfully used or disclosed. In some cases it might also be possible to apply other criminal regulations in the Penal Code. The Governmental Legislative Committee has proposed an extension of the criminal liability under the Trade Secrets Act to also cover persons who have gained access to information in a lawful manner in their employment or as consultants or the like when participating in the owners business. We agree with the Committee that there could be a need to expand the criminal liability to unlawful use or disclosure made by persons with lawful access to the trade secret.

Overall, the regulations provided in the Trade Secrets Act are a positive asset for Sweden. In addition a European harmonized and common legislation for the definition and effective protection of trade secrets could be both feasible and positive. There are international differences in the protection of trade secrets, grounded on constitutional rights and tradition. It is necessary to regard such differences and also bare in mind the differences in relation to protection of IP rights as exclusive rights. Information that is protected in one jurisdiction might be totally unprotected in another. Conduct that leads



to criminal liability in one jurisdiction might not lead to any liability at all in another. This can lead to difficulties for companies doing business in several jurisdictions or with international business partners whose attitude towards confidentiality and information depend on different legal cultures. Different industries have different views on which information is important and should be confidential. The main problems between companies in different jurisdictions regarding the protection of trade secrets are probably in relation to cross-industry agreements and between companies of different sizes. In this way a harmonized regulation could promote business relations within EU.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

#### Cases from the Supreme Court

##### *NJA 2001 p. 362 - Sections 1 and 3 in the Trade Secrets Act*

The judgment regards an employee's copying of a customer database, which was deemed a trade secret but to which the employee had lawful access to in his work. He had lawful access to the information, although he was not allowed to bring the information home, which he did. Question whether this could be regarded as a criminal offence. The Supreme Court concluded that bringing the information home on a disc was not considered as trade espionage in accordance with the Trade Secrets Act, nor fraudulent conversion in accordance with Chapter 10 Section 4 in the Penal Code.

##### *NJA 1998 p. 633 - Sections 1, 2, 6 and 9 in the Trade Secrets Act*

A person had founded company and presented a business idea to an organization. The content of this business plan was among other things that a new company would be established with a certain purpose. The organization then developed the business idea without involvement from the person who proposed it or his company. When deciding whether or not the information regarded the persons business, the Supreme Court held that a business idea, even though it has not yet been developed into a company, may constitute a trade secret. Also question of determine damages.

##### *NJA 1995 p. 347 - Section 1 in the Trade Secrets Act*

A bank's instructions regarding bank officials' obligation to verify identity documents during cash withdrawals was considered to be a trade secret. A request to order the bank to produce the instructions as documentary evidence was rejected.

#### Cases from the Court of Appeal

##### *Case B 3146-04, judgment 19 May 2005 Sections 1 and 3 in the Trade Secrets Act*

An employee had made a photocopy of a document - a protocol from a board meeting - and copied files from a secretary's computer that contained trade secrets. He was charged with trade espionage and computer trespassing. Regarding the paper document, which contained information considered to be trade secrets, the Court of Appeal found that nothing else was shown besides that the employee had get the information by mistake during his usual work in which picking up documents in the copy room was not unusual. The act therefore could not have been intentional and the charge of trade espionage was dismissed. The Court of Appeal also found that it had not been proved that the employee had intended to commit trade espionage regarding the file from the secretary's computer.

##### *Case B 5480-03, judgment 6 May 2004 Section 3 in the Trade Secrets Act*

A CEO had telephoned a former employee, now the seller of a competing company, and asked for information from the competing company's business registers. The CEO was charged with trade espionage, but was acquitted by both the District Court and the Court

of Appeal. In defence the CEO stated that he had made the inquiry to determine if former employees brought along secret information to the competitor.

*Case B 5221-03, judgment 2003-10-20 Section 3 in the Trade Secrets Act*

A former employee disclosed information to a foreign intelligence officer regarding products in the communications business which belonged to the former employer group. The District Court and the Court of Appeal stated that disclosing information on communication from the employer was considered as a threat against national security, the former employee was sentenced to eight years prison for serious espionage (chapter 19 § 6 Penal Code). The former employee had received the information from two employed engineers. The Court of Appeal found that one of the engineers was guilty of industrial espionage as he unlawfully and wilfully had accessed information from his employer. However, the Court of Appeal dismissed the charges against the second engineer as this engineer had lawful access to the disclosed information in his work.

*RH 2002:61 - Sections 6, 7 and 8 in the Trade Secrets Act*

A person who had first been CEO and then consultant in a company was considered to be responsible for disclosing the company's customer records to a competitor. The court stated that information is to be considered as confidential if the company has made clear that, or it is clear for some other reason, that the information may not be spread further than to a certain group of people. The customer records were regarded upon as a trade secret and therefore the act to disclose the records unauthorized. Also question of calculation of damages.

*RH 2002:11 - Sections 6 and 9 in the Trade Secrets Act*

Utilization of drawings obtained in connection with a tender was considered to be unauthorized under the Trade Secrets Act. The court stated that, if in a certain business, certain information is normally kept secret, the information shall be regarded upon as a trade secret. Also question of determine damages.

*Case T 81/96, judgment 14 May 1997 - Sections 3 and 4 in the Trade Secrets Act*

The employer did not manage to prove who had transferred customer registers to a competing company, therefore it was not possible for the court to assess whether the transfer of information had occurred during employment or afterwards (in the latter case extraordinary reasons would have to be proved). However, the court stated that the prerequisites extraordinary reasons was fulfilled since the gathering of the information had been conducted with the sole purpose of using the information in the competing business. Therefore it did not matter who had transferred the information, the competing company had violated the Act on the Protection of Trade Secrets in any case.

Cases from the Labour Court

*AD 2011 no 11 - Section 9 in the Trade Secrets Act*

The court found that an employee was to be held liable for breach against the Trade Secrets Act, and that he had infringed on the company's copyrights, violated a secrecy clause in his employment contract, violated his duty of loyalty during his period of notice and finally, violated a competition clause in his employment contract by working for another company when he was still employed. Particularly question regarding the meaning of Section 9 in the Trade Secrets Act and when determine damages under the act.

*AD 2010 no 27 - Sections 1 and 7 in the Trade Secrets Act*

A company within the IT security business claimed in the District Court that a former employee of the company was to be prohibited from conducting certain operations which competed with the company's operations. Question of whether the criteria extraordinary reasons in the section 7 had been reached as the defendant was not employed when the violation started. Since the defendant had used the information in a large scale, the

information included customer registers of the former employer's company and the former employee's new business was more or less based on the relation with these customers, the court stated that the prerequisites on extraordinary reasons had been reached.

*AD 2009 no 63 - Sections 7 and 8 in the Trade Secrets Act*

Three employees of a company A, running a business within the IT industry, terminated their employments and established another company B, operating in the same industry. The court reached the conclusion that it had not been shown that the former employees and the company B unauthorized had disclosed and used company A's trade secrets.

*AD 2006 no 49 - Sections 7 and 9 Trade Secrets Act*

An employee left his employment with a company within the temporary staffing business and established a company competing with the former employer. The court stated that the employee had violated his duty of loyalty against the employer and unlawfully utilized the company's trade secrets. The employer was manager in a certain district. He gathered the information which he got through his managing position, with the purpose of taking over the employer's largest client to his own business that he started afterwards within the same district. It had also been shown that the violation had happened during his employment, therefore extraordinary reasons did not have to be shown.

*AD 2003 no 21 - Sections 2, 7 and 8 in the Trade Secrets Act*

A manager of operations, A, left his employment with company B, which operated a personal assistance business for disabled people. A established a company, C, and started a business with personal assistance for disabled people. The case mainly regards the following questions. Had A or C used or disclosed information which had been B's trade secrets? Had A violated its duty of loyalty to B by means other than through misuse of trade secrets protected by the Trade Secrets Act? Which provisions on damages were applicable? A binder including laws, collective agreements, check lists, contract templates, etc. was not considered to be the kind of information relevant for this company. General information does not normally constitute trade secrets. Information about the special needs and wishes of the disabled people on the other hand was constituted trade secrets. However, as the binder had been available to everyone in the work place, without a clear restriction of keeping the information secret, the court stated that A had not infringed on B's trade secrets.

*AD 2000 no 3 - Section 7 Trade Secrets Act*

During her employment a sales person in a company had been selling products to another company which ran a competing business. The court stated that the definition of "trade secrets" under Section 1 in the Trade Secrets Act are information about business or operating conditions in a company's business that the employer keeps secret and a disclosure of the information is likely to cause injury to the employer in terms of competition. "Information" is defined as data that has been documented in any form, including drawings, models and other similar technical models. Also considered to be "information" is individual knowledge of a certain matter, even though it has not been documented in any way. The court referred to the legislative preparatory documents of the Act and accordingly stated that the definition of information in this context is broad. The definition does not only include commercial data on individual business matters. Examples of what also constitutes such information is market research, market planning, pricing clauses and plans for advertisement campaigns.

*AD 1998 no 80 - Sections 7 and 8 in the Trade Secrets Act*

Three employees A, B and C, terminated their employment with a company D, which ran a business within temporary staffing. They established a company and started running operations in competition with D. The following main questions occurred: 1) Did A, B and C manage the competing operations during their employment violating their duty of

loyalty to D? - 2) Was the competing business managed by utilizing D's trade secrets? - 3) Which provisions on damages were applicable? - 4) What damage occurred to D? The court stated that a company's customer database typically contains information that are trade secrets.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

#### Legislative Preparatory Work

##### *Swedish Government bills*

Proposition 2008/09:150 om offentlighets- och sekretesslag

[Eng: Public Access to Information and Secrecy Act]

Proposition 1998:99:11 om ny skyddsåtgärd vid immaterialrättsintrång

[Eng: New protective measure regarding intellectual property infringements]

Proposition 1997/98:44 om personuppgiftslagen

[Eng: Personal Data Act]

Proposition 1994/95:35 Sveriges anslutning till Världshandelsorganisationen m.m.

[Eng: Sweden's joining of the WTO etc]

Proposition 1987/88:155 om skydd för företagshemligheter

[Eng: About protection of trade secrets]

##### *Swedish Government Official Reports*

SOU 2008:63 Förstärkt skydd för företagshemligheter

[Eng: Increased protection for trade secrets.]

SOU 1983:52 om lagen om skydd för företagshemligheter

[Eng: About the protection of trade secrets]

##### *Ministry Publications Series*

DS 2007:19 Genomförande av direktiv om civilrättsliga sanktioner på immaterialrättsens område [Eng: Implementation of the directive of the enforcement of intellectual property rights]

DS 2005:6 Brott och brottsutredning i IT-miljö

[Eng: Crimes and investigations in IT environment]

DS 2001:9 Förslag om utökning av tryckfrihetsförordningen och yttrandefrihetsgrundlagen att gälla även privatanställda.

[Eng: Proposal on extension of the Freedom of the Press Act and the Freedom of Speech Act in the private sector]

#### Literature

T. Svensson *Lönsam säkerhetsjuridik - Om konsten att skydda sig själv och sina tillgångar*. 5 u, M I J Media, 2012. [Eng: Profitable Security Law- About the Art to Protect Yourself and Your Assets, 5th edition]

The book reviews questions about how securities are best managed within a company and what a company must do to fulfil demands of Swedish law. The book also attends to the Swedish Trade Secrets Act by describing the law itself and elucidate court cases.

U. Bernitz, G. Karnell, L. Pehrson, C. Sandgren *Immaterialrätt och otillbörlig konkurrens - upphovsrätt, patent, mönster, varumärken, namn, firma, otillbörlig konkurrens, u 12, Jure förlag, 2011.* [Eng: Intellectual Property Rights and Unfair Competition – Copyrights, Patents, Designs, Trademarks, Names, Trade Names, Unfair Competitions, 12th edition]

The book gives the reader a collected view over Intellectual Property Rights and their increased economic meaning in society. The book also contains a section about unfair competition and the Swedish rules regarding protection of trade secrets.

C. Wainikka, *Företagshemligheter - En introduktion, u 1, Studentlitteratur, 2010.*  
[Eng: Trade Secrets - An introduction, 1st edition]

This book is developed to educate lawyers and economists. The book presents the concept trade secrets and which kind of protection trade secrets holds under the Swedish law. Liability rules and the relationship with employment law are reviewed. The general theme of the book is the company's liability to keep a trade secret within the company. The book also includes information on how a company can act after a trade secret has been exposed. With this book the reader also gets access to online material such as court cases, exercises and lectures.

T. Brink, A. Stenlund, L-E. Ström, C-A. Svensson, *Praktisk Marknadsrätt, u 8,*  
[Eng: Practical Market Law, 8th edition]

This book contains information on the rules regarding marketing practices and unfair competition. It elaborates on questions related to the protection of trade secrets, copyright, design, advertising etc.

B. Domeij, *Patenträtt - Svensk och internationell patenträtt, avtal om patent samt skyddet för växtsorter och företagshemligheter, u 1, Iustus förlag, 2007.*

[Eng: Patent Law - Swedish and international patent Law, agreements regarding Patent and the protection of plant species and trade Secrets, 1st edition,]

This book is a practical study book regarding Swedish and international patent law. The book elaborates on patent infringement, additional protection, employee's inventions, licensing of patents, and the protection of trade secrets.

B-G. Wallin *Immaterialrätt för innovatörer och entreprenörer, u 1, Nordstedts Juridik, 2006.*

[Eng: Intellectual Property Law for Innovators and Entrepreneurs, 1st edition]

This book elaborates on the pre work for introducing a new product on the market and how this product can be protected.

R. Fahlbeck, *Lagen om skydd för företagshemligheter - En kommentar med rättsöversikter, u 2, Norstedts Juridik, 2004.* [Eng: The Trade Secrets Act- A Comment with a legal overview, 2nd edition]

The author of this book presents different court cases and analyses them thoroughly. The book also discusses problems and difficulties in the daily use of the Swedish Trade Secrets Act and the relationship between trade secrets and the penalty law.

C. Helgesson, *Affärshemligheter i samtid och framtid, u 1, Jure förlag, 2000.*

[Eng: Trade Secrets in the present and in the future, 1st edition]

The book illuminates the aspect that trade secrets are often treated as assets in the company's operation. Trade secrets can be anything from business plans to manufacturing methods. This book investigates what constitutes a trade secret.

#### Articles

H. Bengtsson, O. Arndt, *Interimistiska förbud och bevissäkring vid angrepp på företagshemligheter, JT 2008-09 nr 2, s. 241-261*

[Eng: Interim prohibitions and securing evidence in relation to trade secret

infringements]

The purpose of the article is to describe how the courts have applied the provisions of interim measures according to the Trade Secrets Act as well as highlighting the possibilities of securing evidence regarding infringement on trade secrets.

H. Bengtsson, J. Kahn, *Företagshemligheter i domstolars praxis, del 2*, Ny Juridik 4:02

[Eng: Trade Secrets in case law, part 2]

The purpose of this article is to review case law related to trade secrets between the years 2003 and 2005. The authors analyze the cases and the general principles that are applicable.

C. Wainikka, *Information som självständigt objekt*, SvJT 2003, p. 577-586

[Eng: Information as an Independent Object]

Information is in many cases given an independent value, separated from the value of a physical bearer. In the article the question of whether information shall be regarded upon as an independent object which may be subject matter of e.g. crimes of larceny, is analyzed. The article compares the legal position and the legal debate in France, the Netherlands, Germany and Sweden.

H. Bengtsson, J. Kahn, *Företagshemligheter i domstolars praxis*, Ny Juridik 4:02

[Eng: Trade Secrets in case law]

The purpose of this article is to review case law related to trade secrets between the years 1991 and 2002. The authors analyze the cases and applicable general principles.

M. Koch, *Tio år med lagen om skydd för företagshemligheter, Festskrift till Hans Stark*, Stockholm 2001 s. 153 ff.

[Eng: Ten Years with the Trade Secrets Act, Commemorative Publication to Hans Stark]

A trade secret can appear in several different forms, in physical form or just by knowledge. As there is no uniform definition of the concept, only a broad definition, indicates that every kind of information can constitute a trade secret.

S. Zethraeus, *Konkurrensklausuler i anställningsavtal – särskilt vid kunskapsföretag; ett försök till rättslägesbeskrivning, Festskrift till Hans Stark*, 2001.

[Eng. Non-competition Clauses in Employment Contracts, especially in Know-How Companies; an attempt to describe the legal position]

The article includes a review of an arbitration judgment which reviews the Collective Agreement 1969 p. 8. The author expresses doubt regarding the Collective Agreement 1969 as it according to the author causes difficulties for companies to protect their trade secrets from infringements.

C. Helgesson, *Skyddet för affärshemligheter och de olika begreppen*, SvJT 1997, p. 28-41

[Eng: The Protection of Trade Secrets and the related terms]

This article analyses the terminology that is used in different laws to describe trade secrets. The laws are the Act on the Protection of Trade Secrets, the Code of Judicial Procedure, the Work Environment Act and the Competition Act. According to the author the differences in particular seems to be a matter of which kind of information is protected and not. As this is not defined by law, the author stated that it is necessary that the question of which information is protected is defined by law.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

The claim legal proceedings shall be brought by the entity who has been subject of the unlawful violation. The necessary prerequisites to be met in order to be successful in the legal proceedings are described below under Question B 2 A-D. The plaintiff should seek to obtain all evidence before initiating the court proceedings in order to establish the factual circumstances in order to fulfil the burden of proof before the court. Usually the plaintiff relies on documentary evidence and witness examinations in order to substantiate this, but other means of evidence is allowed as well. There are no specific evidence as such that has to be brought before the court, it rather depends on the situation of the specific case.

## 2. What civil remedies are made available? Are the remedies cumulative?

The main available civil remedies are damages and injunctive relief such as prohibition to a fine. Preliminary prohibitions are also possible. The remedies are cumulative. The parties may also agree on other and more far reaching terms. Contractual obligations concerning non-compete and confidentiality can also include specific sanctions.

Civil remedies available under the Trade Secrets Act:

### *A. Payment of damages*

The conditions for liability differ between criminal offenders, business partners, employees, former employees and third parties. To the extent that a tort law issue is left unsettled in the Trade Secrets Act, the provisions in the Swedish Tort Law Liability Act (1972:207) are complementary to the provisions of the Trade Secrets Act.

(i) Damages for criminal acts (Section 5 in the Trade Secrets Act). Anyone who is found guilty of trade espionage or unlawful dealing with trade secrets shall pay compensation for damage caused through the offence or through the fact that the trade secret is used or disclosed without authorization. If the offender discloses the trade secret to a third party who in turn uses the trade secret, the offenders liability also includes damage resulting from such use of a third party.

(ii) Damages for breach of confidentiality obligations in a business relationship (Section 6 in the Trade Secrets Act). Anyone who intentionally or through negligence uses or discloses a trade secret of a business proprietor which he in confidence has gained knowledge of in relation with a business transaction with that business proprietor, shall pay compensation for damage caused by his actions. The liability does not require that the trade secret has been exchanged under a binding contract between the parties, hence the recipient may have gained knowledge of the trade secret during the negotiation stages. However, the disclosing party has the burden of proving that the disclosure was made in confidence.

(iii) Damages for breach of confidentiality obligations in employment (Section 7 in the Trade Secrets Act). An employee who intentionally or through negligence uses or discloses his employer's trade secret, of which he has gained knowledge of in relation with his employment under such circumstances that he realized or ought to have realized that he was not allowed to disclose it, shall pay compensation for damage caused by his actions. The liability of former employees are limited to extraordinary circumstances if the actions has taken place after the employment has ceased. Even if the employee receives information without the employer having explicitly clarified that the information is provided in confidence, the employee is nevertheless not allowed to disclose the information if the circumstances such as established work routines or general security instructions indicates that he ought to have realized that a disclosure is prohibited. If the employment has terminated, the main rule is that the former employee has the right to freely use his personal knowledge and experience from the employment after the termination thereof. Exemptions from the main rule can for instance be when

the former employee applied for the position only to obtain access to certain confidential information or when the former employee during the employment prepared for transfer of confidential information to a competitor.

(iv) Damages for subsequent dealings with a trade secret by a third party. Anyone who intentionally or through negligence uses or discloses a trade secret which, according to what he realize or ought to have realized, has been subject to an unlawful action under the Trade Secrets Act or has been revealed contrary to the provisions in the Public Access to Information and Secrecy Act, shall pay compensation for damage caused by his or her actions (Section 8 in the Trade Secrets Act). For instance when a business proprietor receives certain information and has reason to suspect that an unlawful act has preceded such disclosure, the receiver should make reasonable investigations to establish the factual circumstances that has preceded the disclosure to avoid liability for use or further disclosure of the trade secret.

#### *B. Prohibition under penalty of a fine*

Anyone who has violated a trade secret according to the Trade Secret Act can be prohibited by the court under a penalty of fine to use or disclose the trade secret. The action shall be brought by the person who has been subject of the unlawful violation (Section 11 in the Trade Secrets Act). The prohibition requires that both the prerequisites of the criminal provisions or the provisions on liability for damages are met. In cases where an injunction has lost its purpose it can be revoked by the court (Section 12 in the Trade Secrets Act). There are also supplementing provision in the Swedish Act on Penalties of a Fine ( 1985:206) providing that a fine may not be awarded if the fine has lost its purpose.

#### *C. Surrender against redemption etc*

The court may order that documents or objects which contain trade secrets shall be surrendered to the plaintiff by the defendant who has violated the trade secret (Section 14 in the Trade Secrets Act). The court may order that such surrender shall take place against redemption. The documents or objects do not have to be identical to those that have originally been obtained by the defendant. Where the document or object can not be surrendered without inconvenience the court may order that the document or object shall be destroyed or altered or that another action shall be taken as to prevent misuse.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

Available measures in order to secure evidence in civil proceedings are limited compared to cases of suspected criminal violations. In general it is not possible to obtain ex parte orders to search premises and computer systems unless it is related to a suspected intellectual property infringement and a court order for an infringement investigation exists. It might be possible to obtain ex parte decisions relating to preliminary measures as described below:

#### *Production of documentary evidence*

Discovery is as such not a measure available in Swedish court proceedings. However in ongoing civil proceedings it is possible to apply for a court order for a party to produce specific documents in that party's possession that are of importance as evidence in the proceedings. There are a number of prerequisites to be met by the requesting party. Of main importance is to clearly specify which document is requested, no "fishing expeditions" are allowed. It must also be clearly stated how the document will serve as evidence for the case. An exception to the rule on producing evidence is made for



documents containing trade secrets unless the court finds extraordinary reasons to examine the document in question. (Chapter 38 Section 2, and Chapter 36 Section 6 Code of Judicial Procedure).

#### *Visual inspection of objects*

It is also possible to request an inspection by the court of a certain object that can be assumed to be of importance as evidence. Such measures are only available in an already ongoing court proceeding. The exemptions regarding production of documents is applicable also to the obligation to produce an object for visual inspection (Chapter 38 Section 5 in the Code of Judicial Procedure).

#### *Secure evidence for future reference*

Before an action is brought it is possible to request securing of evidence for future reference in accordance with Chapter 41 in the Code of Judicial Procedure. If there is danger that evidence concerning the circumstances relevant to somebody's right will be lost or impractical to bring, evidence may be secured by the court for future reference although not in order to investigate a crime.

#### *Infringement investigations*

According to the Swedish Government Official Report (SOU 2008:63) it is doubtful whether Sweden is fulfilling its obligations under the TRIPS agreement regarding rapid and effective preliminary measures to preserve evidence of relevance for attacks on trade secrets, and it has been proposed to introduce additional measures for the investigation of evidence under the Trade Secrets Act. However at this time, no such measures exists. Holders of intellectual property rights, such as patents, trademarks, designs and copyrights may obtain a court order prior or during a trial for a so called infringement investigation at the premises of the alleged infringer. Such infringement investigations may be ordered ex parte by the court. The purpose of infringement investigations is to seek and secure evidence of the existence and extent of an alleged infringement. It has been put forward by legal experts that in line with the principle of free evaluation of evidence, information gained through an infringement investigation that also discloses a violation of trade secrets may be used as evidence in a trial regarding trade secrets. For example, should the trade secrets contain any material that is subject to copyright protection and copyright infringement is suspected, the holder may use the provisions in the Swedish Act on Copyright in Literary and Artistic Work to apply for an ex parte order to search premises.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

- (a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

The court may order a preliminary prohibition under a penalty of a fine until the case is finally settled. The plaintiff has to show probable cause that the trade secret has been violated and that it can be reasonably assumed that the continued use by the defendant may reduce the value of the trade secret (Section 13 in the Trade Secrets Act). The risk of continued use or disclosure is often presumed unless there is clear evidence of that an attack has stopped permanently. However the plaintiff has to provide security for reimbursement to the defendant for any damage that the injunction may have caused the defendant if it is later established that the plaintiff's action was unfounded.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Final injunctions are not time limited in Sweden but they have to be confirmed through an ordinary proceeding and a final decision or judgment by the court. In cases where an injunction has lost its purpose it can be vacated by the court. There are also supplementing provision in the Swedish Act on Penalties of a Fine providing that a fine may not be awarded if the fine has lost its purpose. To our knowledge this has not led to any significant problems.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

The average duration of proceedings in the Swedish District Courts is approximately 1,5 - 2 years. In the Court of Appeal and the Labour Court the average duration of proceedings are approximately 1,5 years. It is difficult to determine the average cost in such proceedings. It depends on the circumstances in each case and also the type of trade secrets involved, the technical complexity etc. In general for smaller companies or start-up companies the costs could be felt considerable and it could be difficult for them to enforce their rights.

(d) Are cases involving technical trade secrets heard by specialist judges?

Cases involving technical trade secrets are not heard by specialist judges. So far we have not perceived that as a general problem. However many trade secret cases relates to information accessed in employment relationship. In such cases the cases are heard by judges specialists in employment law.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

A main principle in the Swedish constitution is that court proceedings as well as the evidence and documents submitted to the court is public. It is not enough for the parties in a trial to agree to keep something secret without legal grounds and a decision from the court. A party can request that his trade secrets are kept secret during the proceedings but it is up to each court to decide whether or not secrecy should apply. This can be a problem regarding cases related to trade secrets when a party would like to keep information confidential.

There are however exceptions from the principle which are laid down in legislation. An exception to the obligation to produce documentary evidence as described above under Question B 3 is for instance when the documents contains trade secrets. However if the court finds extraordinary reasons it may examine the document in question anyway.

The right to access public documents may also be restricted if it is necessary in order to protect the economic circumstances of private subjects. A document can be classified as confidential for 20 years. (Chapter 36 Section 2 in the Public Access to Information and Secrecy Act).

A court may order that the public be excluded from the proceedings in order to protect confidential information under the Public Access to Information and Secrecy Act. In accordance with this act information about an individual's business and the operation of the same can be classified as confidential during court proceedings, if it can be assumed

that the proprietor would be caused considerable harm if the information was made public. (Chapter 36 Section 2 Public Access to Information and Secrecy Act).

Witnesses may also refuse to testify if doing so would reveal a trade secret. However the court may find that there is extraordinary reasons to examine the witness anyway (Chapter 36 Section 6 Code of Judicial Procedure).

Information mentioned in judgments and presented in proceedings where the public were excluded can be kept confidential if the court decides. However the appeal instance is not bound by such decision and may make its own assessment.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc.)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

It is difficult to say how many trade secrets actions are heard by the civil courts in Sweden each year. There is no available statistical information that we can rely on this aspect. A qualified guess would be approximately 10-15 civil cases per year related to trade secrets. A minority of all cases related trade secrets regard criminal actions. Many cases regard the relationship between an employer and an employee or a former employee. Many cases relates to such trade secrets as customer lists or customer information or databases. Although it appears as if the outcome in the cases heard by the Labour Court are in favour of the plaintiff in more cases then the opposite, it is difficult to give a number on the average outcome.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

In general there may be difficulties to prove that information is a trade secret in cases that relates to know how which may constitute trade secrets or the employee's personal skill, knowledge and experience. It can also be difficult to secure evidence in civil cases in order to prove ones case.

5. What defences are available to the defendant in a trade secrets action?

A common defence is to put forward that the information is not a trade secret under the Trade Secrets Act, for instance that it is instead ones personal skill, knowledge and experience. Another available defence is to assert that one did not know or ought to know that the information was to be confidential. There are no formalities regarding how to keep the information secret, e.g. it is not necessary to have a signed non-disclosure agreement or the like. However the owner of the information is likely to bear the risk in the court proceedings of an uncleriness regarding possible confidentiality. Also one can assert that the information has not been used or disclosed.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

The requisite that is most considered by the courts in civil actions is if the information as such falls within the definition of a trade secret, including if it has been kept secret by the company.

7. As to award of damages:

(a) What are the available options?

Regarding the available options regarding the award of damages we refer to our answer under question B 2 A (i)-(iv). In addition, claims for compensation in accordance with the Trade Secrets Act can only relate to damage that has occurred within five years before the action was initiated with the court. There is no right to compensation for damage that has occurred before that (Section 10 in the Trade Secrets Act).

(b) What are the criteria to determine and calculate damages?

The starting point is that the amount shall reflect the economic damage caused by the unauthorized use or disclosure of the trade secret. However, in general it can be difficult to show the real size of the damage. Therefore, the legislator has included a possibility to base the assessment also on other circumstances than purely economic.

Section 9 in the Trade Secrets Act stipulates that when deciding on the amount of damages, the business proprietor's interests relating to that the trade secrets are not used or disclosed shall also be considered as well as other aspects of not strictly financial importance. For instance, the compensation shall be set at a level so that unauthorized use or disclosure would not be financially more rewarding than to acquire the trade secret in a legitimate way. Also other factors such as the profits derived from the authorized use of the trade secret and the duration of the offence may affect the calculation or the damages. Further, the compensation can be reduced or not be awarded at all, which is primarily applicable in relation to employees where termination and dismissal are the most important sanctions.

(c) Are punitive damages available for breach of trade secrets?

No punitive damages are available.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

In general the quantity of awarded damages vary heavily depending on the specific circumstances in each case. Damages have been awarded up to 7-10 millions SEK. In one case the district court awarded the plaintiff 48 million SEK but the case was appealed and the parties settled the case before it was tried by the Court of Appeal.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

The legislation distinguish between cases regarding breach of contract obligations and liability under the Trade Secrets act. Breach of contract obligations are usually subject to a contractual fine or/and payment of damages. Available civil remedies under the Trade Secrets Act are payment of damages, prohibition under penalty of a fine, and redemption such as described above under Question B 2. Additional criminal remedies are fines and imprisonment as described further in the Criminal Law Questionnaire.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

The remedies identified are not enforceable to a person who obtains the trade secrets in good faith. In accordance with Section 2 of the Trade Secrets Act, the Act does only

apply to unauthorized attacks on trade secrets. It is not considered an unauthorized attack when somebody uses or discloses a trade secret that he or somebody before him gained knowledge of in good faith.

(b) A person who autonomously developed the same information?

The remedies identified are not enforceable to a person who autonomously develops the same information. A trade secret is not an exclusive right as intellectual property rights. In such case you have to rely on patent protection, copyright protection or the like.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- While the employee is still employed?

Swedish employment relationships entail an inherent duty for an employee to observe loyalty towards his/her employer. The fiduciary duty of loyalty is best described as a prohibition for the employee to take part in any activity that may harm the employer's interest. An assessment on whether or not the employee has committed a breach of his/her duty of loyalty must be made on a case-by-case basis, considering all relevant circumstances at hand. It is not necessary to include any explicit wording regarding loyalty in a Swedish employment agreement. Nevertheless, provisions regarding loyalty/completion/non-disclosure may serve as a useful reminder to the employee of what is to be observed during the employment.

It is considered as a major breach of contract if the employee makes use of confidential information to the detriment of the employer. An employee who violates his/her duty of loyalty risks that his/her employment agreement is terminated. He/she also risks that the court grants an injunction in order to prevent the employee from using a trade secret or that the court awards the employer limited compensatory damages, as described above under Question B 2 A (iii).

- Once the employee has left his employment?

The employee is bound by the fiduciary duty of loyalty until the employment agreement expires. In order to oblige the employee to continue to observe the confidentiality obligation even after the expiration of the employment, this generally needs to be stated in the employment agreement.

The liability of former employees in Section 7 in the Trade Secrets Act is limited to extraordinary circumstances if the action has taken place after the employment has ceased, as described above under Question B 2 A (iii). If the employment has expired, the main rule is that the former employee has the right to freely use his/her personal knowledge and experience from the employment after the termination thereof. Exemptions from the main rule can for instance be applicable if the former employee applied for the position only to obtain access to certain confidential information or if the former employee prepared for the transfer of confidential information to a competitor during the employment.

(kk) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

Examples of non-disclosure contractual clauses in employment agreements

#### Example 1 - Standard

*"The Employee is under an obligation to protect the interests of the Employer at all times and may not, except in the proper performance of the Employee's services under this agreement, to any third party disclose any information regarding the Employer's business, obtained in the performance of the Employee's services. This restriction does not apply to information that is already publicly available or becomes publicly available without the Employee's participation. In the event of uncertainty whether or not certain information may be disclosed, the Employee shall consult the nearest manager or any other person designated by the Employer. Upon termination of the employment agreement the Employee will immediately, to the Employer, return all notes, memoranda, documents and records (whether tangible or electronically stored) concerning the business of the Employer. This clause shall survive the termination of this agreement."*

#### Example 2 - Executive

*"The Executive is under the obligation to protect the interests of the Company, the Company Group and the shareholders at all times and may not disclose to any third party any confidential information regarding the Company's, the Company Group's or the shareholders' respective businesses. This restriction does not apply to information that is already publicly available or becomes publicly available without the Executive's participation. If the Executive should leave his/her position as managing director of the Company, he/she will immediately return all property (including but not limited to documents and disks, mobile telephone, including his/her SIM-card, laptop computer, credit cards, equipment, keys and passes) belonging to the Company or the Company Group that is or has been in his/her possession or under his/her control. Documents and disks shall include but not be limited to correspondence, files, e-mails, memos, reports, minutes, plans, records, surveys, software, diagrams, computer print-outs, manuals, customer documentation or any other medium for storing information. The Executive's obligations in this respect shall include the return of all copies, drafts, reproductions, notes, extracts or summaries (howsoever made) of the foregoing. This clause shall survive the termination of the Executive's employment hereunder."*

#### Examples of non-competition clauses in employment agreements

##### Example 1 - Standard

*"The Employee may not during a period of [ 6-24 ] months after the expiration of the employment in Sweden,*

- a) take employment in a business competing with the Employer;*
- b) be an owner of a competing enterprise or in any other way assist a competing enterprise with advice; or*
- c) self or through other start or carry on a competing business to the Employer.*

*The limitation in competition does not apply in the following cases:*

- a) When the Employer has terminated the employment agreement. When the Employer's termination of the employment agreement is made because of a breach of agreement on the Employee's part, this non-competition clause is valid.*
- b) When the Employee has terminated the employment and the reason is breach of agreement on the Employer's side. With breach of agreement is considered measure or non-performance that would give the other party right to cancel the employment agreement with immediate effect.*

*If the employment agreement expires after due notice on other grounds than retirement, the Employer is liable as a compensation for the restraint this limitation in competition*

*causes the Employee, to pay the Employee each month the difference between the Employee's salary with the Employer at the time when the employment expired and the (lower) salary the Employee hereafter earns in a new employment. The compensation shall, however, not exceed 60 percent of the monthly base salary from the Employer at the expiration of the employment and furthermore not be paid for a longer period than during which the limitation in competition applies. In order to establish the level of compensation, the Employee should keep the Employer continuously informed of his/her salaries in any new employment or business.*

*Compensation in accordance with the above will be paid only as of the day when the Employer in a registered letter has received the Employee's request hereof. Should the Employee be dismissed immediately because of a major breach of agreement, the right to compensation as above is forfeited. The Employer may through notice to the Employee relieve him/her from the limitation in competition at which the Employer's obligation to compensate the Employee in accordance with above expires.*

*At the application of this Section, please note the following: Should the Employee notify the Employer that he is considering terminating his employment, the Employer should, upon request by the Employee, within two weeks notify if the Employer wants the limitation in competition to be applicable. Such notice may not without the Employee's consent be changed by the Employer until three months has elapsed from the time when the notice was given.*

*Should the Employee intentionally or through gross negligence commit a breach of the limitation in competition, the Employee is liable at each occasion to pay fixed damages with an amount corresponding to six times the Employee's average monthly salary from the Employer. With the Employee's average monthly salary is considered the average amount that the Employee has received per month as salary during the last employment year.*

*The Employer is also entitled to claim actual damages if the damage exceed the fixed damages."*

#### **Example 2 - Executive**

*"Regardless of whether the notice of termination is made by the Company or the Executive, the Executive undertakes for a period of [ 6-24 ] months after the expiration of the employment not to directly or indirectly:*

- (a) take employment in a business competing with the Company or the Company Group;*
- (b) be an owner of a competing enterprise or in any other way assist a competing enterprise;*
- (c) self or through other start or carry on a competing business to the Company or the Company Group;*
- (d) induce or procure, or attempt to induce or procure, any agent or contractor of the Company or the Company Group to engage services of others, transfer or attempt to transfer assignments to others; or*
- (e) induce or procure, or attempt to induce or procure, any person who is an employee or director of the Company or the Company Group to leave such employment.*

*The post-termination restrictions laid down in this section apply to activities carried out in Sweden or activities affecting the Company's and the Company Group's businesses in Sweden.*

*If the termination of this agreement is made by the Executive and if the Executive is not relieved by the Company from the post-termination restrictions above, the Company is liable to compensate the Executive for the restraint laid down in this section. The compensation shall correspond to the difference between the Executive's salary with the Company at the time when the employment expired and the (lower) salary the Executive*

*hereafter earns from an employment or other business which he/she has procured, as well as for estimated compensation which he/she ought to have procured. The compensation shall, however, not exceed 60 percent of the monthly salary from the Company at the expiration of the employment and furthermore not be paid for a longer period than during which the limitation in competition applies. In order to establish the level of compensation, the Executive shall keep the Company continuously informed of his/her salaries in any new employment or business as well as for estimated compensation which he/she ought to have procured.*

*Compensation in accordance with the above will be paid only as of the day when the Company in a registered letter or by courier has received the Executive's request hereof. Should the Managing Director be dismissed immediately because of a major breach of agreement, the right to compensation as above is forfeited.*

*The Company may through notice to the Executive relieve him/her from the limitation in competition at which the Company's obligation to compensate the Executive in accordance with this section 16 expires three (3) months from the time notice was given.*

*Should the Executive intentionally or through gross negligence commit a breach of the limitation in competition, he/she is liable at each occasion to pay fixed damages with an amount corresponding to six (6) times his/her average monthly salary from the Company. With the Executive's average monthly salary is considered the average amount that the Executive has received per month as base salary and bonus during the last employment year. The Company is also entitled to seek further compensation, if the actual damage exceeds the fixed damages.*

*All notices under this section shall be in writing and sent by courier or registered mail to the other party to the address stated in the preamble of this agreement or the party's current address as registered at the Company Registration Office (Sw. Bolagsverket) or the Swedish Tax Authority (Sw. Skatteverket).*

*A notice shall be considered to have been given to the addressee:*

*(a) if sent by courier: upon delivery; or*

*(b) if sent by registered mail: two business days after the date the notice was dispatched."*

Non-disclosure clauses and non-competition clauses are generally valid and enforceable under Swedish law. However the use of non-competition clauses is highly restricted. Mainly, the following limitations apply to the use of non-competition clauses.

- Non-competition clauses should only be used for certain employees, i.e., employees that have such a position in the company that they are privy to highly confidential, company specific information. Their positions should also be such that they are able to use this confidential information in a new employment. Consequently, most employees are normally excluded.

- The non-compete period should normally not exceed two years.

- The restraint should only apply in a limited geographical area, such as a specific country or, in exceptional cases, more extended regions.

- The employee should be entitled to compensation during the time period when his/her possibility to engage into new employment is restricted. Under Swedish practice, the compensation shall correspond to the difference between the salary the employee was entitled to upon expiration of his/her employment and the (lower) salary he/she receives from a new employer. However, as a guiding principle, the compensation does not have to exceed 60 percent of the employee's salary on the expiration date.

If any of these conditions are not fulfilled, there is a risk that a court would declare the non-competition clause invalid. Even if the non-competition clause is valid, it can be difficult to enforce.



The Executive non-competition clause includes a non-solicitation provision. It is also possible to include such a provision in a standard employment agreement. This type of provision is normally not as difficult to enforce as a non-competition provision, but there is a risk that a court would declare a non-solicitation clause invalid as well, depending on the specific circumstances in each individual case.

The court does generally not distinguish between "real" trade secrets and general information that happens to be confidential in cases regarding breach of contract. However the information must fall within the definition of a trade secret under the Trade Secrets Act in order for any of the liabilities thereunder to be enforceable. It is also advisable to be specific in non-disclosure agreements, especially with respect to such information that is of great importance to the employer, for instance technical drawings, know-how related to production or the like. In addition, it is normally recommended to include a general clause on the confidentiality undertaking of the employees. The owner of the information, i.e., often the employer, is likely to bear the risk of unclarity as to whether or not specific information etc. is confidential. A case-by-case assessment normally needs to be done in each individual case.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

The measures to secure evidence are stronger in a criminal proceedings and the punishment harder and could have an deterrent effect. However a criminal action is conditioned upon that the prosecutor can prove that the suspect has gained access of the information in an unlawful manner. This means that criminal liability can not be charged upon somebody that was informed of secret information in a business meeting or gained knowledge of secret information in line with his or her work tasks. In such cases it might be possible to initiate civil proceedings in stead.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

It is common for companies to enter into non-disclosure agreement with potential business partners and to include non-disclosure regulations in license agreements and other R&D or co-operation agreements. Breach of such regulations are usually subject to a contractual fine. Such contractual breach are generally enforceable. Other security measures can be technical measures such as safeguarding online transactions, websites and other digital systems. It is also common to set up policies for employees on how to handle information in order to prevent good faith arguments.

13. With regards to non disclosure agreements and non use agreements:

- Are they effective and enforceable in your jurisdiction?

In general a distinction is not made between non disclosure agreements or non use agreements. A non disclosure agreement typically also contains non use restrictions of confidential information. Such agreements enforceable and commonly used between companies and by employers to protect confidential information given to their employees or to consultants.

- If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Prevailing enforcement is provided by contract law and employment law as applicable.

- Does the US doctrine of inevitable disclosure exist in your jurisdiction?

According to the US doctrine of inevitable disclosure, a former employer who performs the same or similar work for a direct competitor to his/her former employer will inevitably disclose and use the trade secrets of the former employer in his/her new position. The same doctrine does not exist in Sweden.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

In relation to other jurisdictions within the EU, Swedish courts are competent to try cases where (i) the defendant is domiciled in Sweden, or (ii) the harmful event occurred or may occur in Sweden.

It is possible that the harmful event occurred or may occur at the place where the trade secrets are created/conceived. If so and if this place is located in Sweden, Swedish courts would be competent.

It is possible that the harmful event occurred or may occur at the place where misappropriation of the trade secrets takes place. If so and if this place is located in Sweden, Swedish courts would be competent.

It is possible that the harmful event occurred or may occur at the place where unlawful use of trade secrets take place. If so and if this place is located in Sweden, Swedish courts would be competent.

Basically the same principles as above will apply in relation to foreign jurisdictions outside of the EU as well. In addition, Swedish courts would most likely also be considered to be competent if the act in question took place in Sweden. This means that when misappropriation of the trade secrets and/or unlawful use of trade secrets take place in Sweden, Swedish courts would be competent.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

The starting point is that a foreign judgment is not enforceable in Sweden. However, judgments rendered in other EU countries in civil and commercial matters (for example a judgment ordering the defendant to pay damages) are enforceable in Sweden. Basically, the enforcement of judgments rendered in other EU countries may only be refused if the judgment would be considered to violate public policy. Considering that refusal due to public policy is to be applied very restrictively, a Swedish court would probably not deny

enforcement if the trade secrets at stake would not be protectable under Swedish law or if the protection in Sweden would be significantly weaker than that afforded by the foreign judgment.

## Switzerland

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

In Switzerland, there is a long tradition of trade secret protection. Therefore, different provisions on trade secrets can be found in various legal fields and laws, as will be shown under question 2 below. The most relevant provisions are contained in unfair competition law, in contract law, in criminal law as well as in procedural law. At the same time this means that, in Switzerland, there is not one main provision containing a general definition of a trade secret valid in all legal fields.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

In the following, you will find brief a brief summary of the main provisions dealing with trade secrets in Swiss law. Attached as Appendix 1 are the respective legal provisions in the three official languages in Switzerland (German, French and Italian) as well as in an English translation. The latter is for convenience purposes only and not an official translation of the respective provisions.

#### *a) Unfair Competition Legislation (Unfair Competition Act, "UCA")*

The UCA deals with the protection of trade secrets in various provisions. These provisions do not protect the trade secrets as such but they offer a remedy in case of an unfair way of obtaining or exploiting trade secrets. Accordingly, they only provide for an indirect protection of trade secrets.

The UCA contains very specific provisions, as well as a general clause. The two most important provisions are contained in arts. 4 lit. c and 6 UCA:

According to art. 4 lit. c UCA, whoever induces employees, agents or other auxiliary personal to disclose or explore manufacturing or business secrets of their employer or principal, acts unfairly.

According to art. 6 UCA, acting unfairly is whoever exploits or discloses to third parties manufacturing or business secrets which he or she explored or learned about in any unlawful manner. Art. 6 UCA does not cover the exploitation of confidential information which was obtained lawfully, e.g. in the course of an employment or work contract.

Besides this, art. 5 lit. c UCA also contains a provision, which – in a broader context – protects trade secrets. According to this provision, whoever exploits, without authorization, work products entrusted to him (such as bids, calculations and blueprints) acts unfairly. As the work products must have been "entrusted" to the offender, this provision requires a certain level of confidentiality of the work products.

If the requirements of these provisions are not fulfilled, the particular way of using a trade secret may fall under the general clause of art. 2 UCA. This, however, requires

special circumstances of the exploitation of the trade secret. This may be the case if former employees are induced to breach their confidentiality undertakings or if the exploitation at the same time constitutes a breach of a post-termination non-compete clause.

According to Art. 23 UCA, deliberate infringements of Arts. 4, 5 and 6 constitute criminal offenses.

#### *b) Contractual and Quasi-contractual Obligations*

##### Employment Law

The most important provisions in the field of contractual obligations refer to the employer/employee relationship.

Art. 321a para 1 Code of Obligations ("CO") governs the obligations of the employee and stipulates that the employee must faithfully safeguard the employer's legitimate interests. This includes an obligation not to make use of or inform others of confidential information and data (including manufacturing or business secrets) that come to the employee's knowledge while in the employer's service.

Art. 321a para 4 CO contains a provision focusing in particular on trade secrets: During the term of the employment, the employee may not exploit or disclose to third parties trade secrets, including in particular manufacturing and business secrets, which he learned in the course of his employment (art. 321a para 4, first sentence CO). After termination, he remains bound by this secrecy obligation to the extent required to safeguard the employer's legitimate interests (art. 321a para 4, last sentence CO).

##### Agency Law

The agent's general liability for faithful performance (art. 398 para 1 and 2 CO) includes the same obligations as lying upon the employee under an employment contract (art. 321a CO; see above). Further, in case of an agency contract, the agent may not exploit, or disclose to third parties, trade secrets entrusted to him or obtained in the course of his agency relationship; this shall apply even after termination of the agency agreement (art. 418d CO).

##### Officers of Legal Entities

Obligations similar to those of an employee are imposed upon board members, directors, auditors and special auditors of a company (arts. 717 para 1, 730b para 2 and 697d para 4 CO).

##### General Rule: Civil Code ("CC")

Finally, the general rule of art. 2 para 1 CC requires everybody to act in good faith, and such obligation can also include not to disclose trade secrets. A breach of this obligation will not trigger liability under tort law, as art. 41 CO requires the breach of a specific protective norm. The violation of trade secrets, however, can trigger liability for instance if the trade secret was disclosed during contract negotiations (*culpa in contrahendo*), or if there is a post contractual duty to protect the trade secret.

#### *c) Personality Rights*

Art. 28 CC protects the personality of a person, including its confidential sphere. Legal entities also benefit from this provision. This provision may provide for an *erga omnes* protection of trade secrets which fall into this confidential sphere.

#### *d) Intellectual Property Legislation*

##### Patent Act

In its patent application, the patent owner has to disclose the invention (art. 50 para 1 Patent Act). For a limited period of a maximum of 18 months from the filing or priority date, the patent application shall not be published (art. 58a Patent Act). If the applicant withdraws the application, or if the application is rejected within that time frame, the invention shall not be published (art. 60 c Patent Ordinance).

In case manufacturing or business secrets are concerned, the right of third parties to inspect the patent application file may be restricted (art. 65 of the Patent Act, art. 89 para 2 of the Patent Ordinance). In such case, the patent owner must request a separation of the respective documents from the general files. If a third party requests access to the files, the Federal Institute for Intellectual Property will hear the proprietor prior to granting access.

In customs seizure, customs authorities may give the applicant the right to inspect the retained good. In such case, the customs declarant, possessor or owner is entitled to be present at the inspection in order to protect its manufacturing and business secrets (art. 86e para 2 of the Patent Act).

##### Design Act

According to art. 26 of the Design Act, the applicant may request that publication shall be deferred for a period of up to 30 months from the date of filing or the priority date. The purpose of this provision is to protect applicants in industries in which designs can be easily copied and which have a relatively short period of exploitation.

In customs seizure, the customs declarant, possessor or owner is entitled to be present at the inspection in order to protect its manufacturing and business secrets (art. 48 of the Design Act).

##### Trademark Act

In customs seizure, the customs declarant, possessor or owner is entitled to be present at the inspection in order to protect its manufacturing and business secrets (art. 72b of the Trademark Act).

##### Copyright Act

In customs seizure, the customs declarant, possessor or owner is entitled to be present at the inspection in order to protect its manufacturing and business secrets (art. 77b of the Copyright Act).

Users of copyright protected works are to a certain extent obliged to provide to the collecting societies necessary information for drawing up and applying the tariffs. The collecting societies are obliged to preserve business secrets (art. 51 of the Copyright Act).

#### *e) Data Protection*

To the extent trade secrets are related to a specific, or identifiable, person, they qualify as personal data and fall under the scope of the Data Protection Act (art. 3 let. a Data Protection Act; hereinafter "DPA"). In Switzerland, legal entities also qualify as data

subjects (art. 3 let. b DPA). The use of, the getting and making available of personal data qualify as data processing under the DPA (art. 3 lets. e and f DPA).

To the extent trade secrets qualify as personal data, the DPA provides for a certain level of protection. In particular, the data processing principles apply (art. 4 DPA): the data may only be processed in a lawful manner; its processing has to be done in good faith and must be proportional. The data may only be processed for the purposes that have been indicated when obtaining the data or which were evident from the circumstances or foreseen by law. A transfer out of Switzerland is only allowed if such transfer does not substantially endanger the personality of the data subject (art. 6 DPA). The data processor must protect the personal data by means of adequate technical and organizational measures (art. 7 DPA).

On the other hand, the owner of data collections, under specific circumstances, has a right to refuse requested information, if this is foreseen by a statutory law or if prevailing third party interests require a refusal (art. 9 para 1 DPA). Such third party interests may include interests in trade secrets. Art. 10a DPA allows the outsourcing of data processing, but only to the extent such outsourcing is not prohibited by a legal or contractual secrecy obligation.

#### *f) Banking Secrecy*

Art. 47 Banking Act stipulates criminal sanctions in case of unlawful disclosure of secrets by banks and their organs, employees, agents or liquidators.

#### *g) Criminal Sanctions under the Criminal Code*

According to art. 162 Criminal Code, whoever betrays a manufacturing or business secret which he or she according to a legal or contractual obligation should safeguard, or whoever exploits such betrayal, will be punished. Very similar to the situation under the UCA (see above), this provision does not provide for any protection for trade secrets that were made available in a lawful manner.

According to art. 273 Criminal Code, whoever explores a manufacturing or business secret, in order to make it available to a foreign authority or a foreign organization or private entity, or to their benefit, will be sanctioned.

Arts. 320 and 321 Criminal Code sanction the breach of a secrecy obligation by the member of an official authority or by private practitioners who were entrusted with a secret in their function as priests, attorneys-at-law, defense attorneys, notaries, auditors, medicines, dentists or pharmacists, and by their auxiliary persons.

#### *h) Protection of Trade Secrets by Procedural Rules*

##### Civil Procedure Rules

According to art. 156 of the Federal Code of Civil Procedure ("CCP"), the court takes necessary measures if the taking of evidence may harm interests of a party or a third party that deserve protection, in particular interests in trade secrets.

Such measures may include the limitation of the right to inspect files or a partial covering of documents. However, art. 156 CCP does not give right to the affected party to refuse its collaboration entirely.

##### Criminal Procedure Rules

According to art. 108 para 1 lit. b Federal Code of Criminal Procedure Rules, the criminal authorities can restrict the right to be heard, if required to safeguard trade secrets. However, the restriction towards a defendant attorney is only allowed where the defendant attorney himself is the reason for the restriction.

Further according to art. 102 para 1 Criminal Procedure Rules, when deciding on a request to inspect documents, legitimate interests to keep certain information secret must be protected.

#### Swiss Rules of International Arbitration

According to art. 43 Swiss Rules of International Arbitration, arbitration proceedings are generally confidential. This also includes secret materials submitted by a party in the framework of the arbitral proceedings.

#### Administrative Proceedings

In administrative proceedings before Federal authorities, the right to inspect documents can be restricted in case of prevailing private interests (art. 27 of the Federal Act on Administrative Proceedings). Such private interests include trade secrets.

#### *Definition of a "trade secret"*

Statutory Swiss law does not provide for a general definition of trade secrets. In case law and among legal scholars it is generally accepted that a trade secret is information which cumulatively meets the following three criteria:

- (i) It is neither evident nor commonly available;
- (ii) the secret carrier has a legitimate interest in keeping the information or data secret (the so called objective interest in keeping the information secret, "*objektives Geheimhaltungsinteresse*"); and
- (iii) the secret carrier intends to keep such information or data secret (the so called subjective intention to keep secret; "*subjektiver Geheimhaltungswille*").

Trade secrets can include commercial information such as sales amounts, margins, customer lists, cost of goods, market shares, prices, rebates, discounts, terms of payments and etc., as well as technical information, such as not patented know-how or not patentable know-how, information on manufacturing and fabrication processes or recipes.

Swiss law distinguishes between business secrets (in German: "*Geschäftsgeheimnisse*") and manufacturing secrets ("*Fabrikationsgeheimnisse*"), however this distinction does not play any significant role in practice.

While the term "business and manufacturing secrets" (in German: "*Fabrikations- und Geschäftsgeheimnisse*") is identically used in art. 162 Criminal Code and in art. 6 UCA, in addition to the above definition legal scholar require for art. 162 Criminal Code that the respective business or manufacturing secret plays a role in the success of the company and has real market value.

The scope of art. 321a para 4 CO seems to go beyond the scope of arts. 162 Criminal Code and 6 UCA, as it protects "facts that need to be kept confidential" ("*geheim zu haltende Tatsachen*") and then mentions "*Fabrikations- und Geschäftsgeheimnisse*" as examples for such facts.



3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

See above under A.2.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

As Switzerland is not part of the EU, Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights is not applicable to the protection of trade secrets.

Under Swiss law, trade secrets are not considered to be intellectual property rights, i.e. absolute rights granted to their respective proprietor such as trademarks, designs or patents. Trade secrets are understood as part of an individual's or company's undisclosed know-how. They can be exploited by transfer and license agreements similar to intellectual property rights. Contrary to intellectual property rights, trade secrets are not protected as such but merely against non-disclosure and exploitation.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

In Switzerland, all different types of trade secrets are recognized. Statutory law in Switzerland does not provide for a general definition of trade secrets (see above under A.2.). A trade secret is any information that is (i) neither evident nor commonly available, provided that (ii) the secret carrier has a legitimate interest in keeping it secret, and (iii) the secret carrier intends to keep it secret.

While Swiss law distinguishes between manufacturing secrets and business secrets, the differentiation does not affect the protection of trade secrets in general, as both types of secrets enjoy the same scope of protection.

Trade secrets under Swiss law include all kind of commercially relevant information or data such as resources, organisation, calculation of prices and customer data as well as fabrication processes.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market

practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

On an overall view, we believe that Swiss law provides for a fair protection of trade secrets in the sense of a balance between the interests of all stakeholders, in particular of employers to protect valuable trade secrets and of employees to exploit their own personal know-how and knowledge without too strict limitations.

While a coherent definition of trade secret is missing in Switzerland. The legal provisions protecting trade secrets use different terms to describe a trade secret depending on the scope of protection. Yet, the same minimum standards are applied throughout all provisions, defining what constitutes the core of a "trade secret". A comprehensive regulation and definition may eventually be too complex and difficult to convert into the Swiss legal system which currently consists of provisions which are scattered throughout various legal fields and codes.

The main inadequacies of trade secret protection under Swiss law result from the difficulties to enforce the protection of trade secrets. The hurdles of enforcement, in particular the required standard of proof, are rather high. The claimant has to substantiate and to at least some extent prove all substantive requirements that determine the trade secret infringement. In particular, it often turns out to be difficult to prove that the disclosed or exploited information in dispute qualifies as a trade secret, and/or that the further requirements are met, for instance that the alleged infringer was in breach of contractual obligations protecting trade secrets. This may turn problematic in particular in view of the development of new technologies and the simplicity within which vast amounts of data can be transferred from one digital source to another.

Contrary to design, patent or copyrights, trade secret protection does not provide for a time limitation for protection. As a consequence, trade secrets can be protected indefinitely.

Finally, the provisions protecting trade secret do not contain any limitations for legitimate use, nor address the issue of reverse engineering.

Beside this, we believe that the following issues should be discussed:

- Should different forms of trade secrets (used internally only and kept totally secret, such as recipes for beverages, or licensed out or otherwise disclosed under covenants) be treated differently?
- Should protection should distinguish between copying/imitation (which should continue not to be legitimate), and use as inspiration for a parallel but independent development (which might also be considered to be a legitimate use)?
- Should use of trade secrets in an unrelated, non-competing field or for non-commercial (scientific) purposes be permitted?

We are not aware of any current proposal for new legislation on trade secrets in Switzerland.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

BGE 80 IV 22  
BGE 103 IV 284  
BGE 109 Ib 56  
BGE 118 Ib 559

Application of art. 162 of the Swiss Criminal Code ("Any person who betrays a manufacturing or trade secret that he is under a statutory or contractual duty contract not to reveal, any person who exploits for himself or another such a betrayal, shall on complaint be liable to a custodial sentence not exceeding three years or to a monetary penalty").

Definition of "manufacturing and trade secret" pursuant to art. 162 Criminal Code:

A secret exists if (a) the facts are unknown to the public and (b) the owner's interest of secrecy is legitimate and (c) the owner actually intends to keep the facts secret;

a secret is considered a "manufacturing or trade secret" if it relates to a manufacturing step (e.g. processes, construction plans, etc.) or information relevant to the business (e.g. strategy plans, cost structures, customer data, etc.).

BGE 88 II 319

Duty of an employee not to divulge secrets according to the Swiss Unfair Competition Act (i.e. additionally to any contractual obligations of secrecy which might exist).

Definition of trade secret for the purposes of the Unfair Competition Act, based on the definition set forth in 80 IV 22.

BGE 93 II 272

The customer who is entrusted with a manufacturing secret and subsequently divulges the secret infringes the principles of fair competition pursuant to the Swiss Unfair Competition Act.

Canton of Geneva Court of Appeals, C/22246/1992

Whoever exploits business secrets which were disclosed by an employee of a competitor on his or her own initiative does not violate art. 4 let. c or art. 2 of the Swiss Unfair Competition Act.

BGer 4C.163/2000

Work products developed in a continued collaboration project: if both parties combine their efforts for product improvement, the respective work products become a collective good of the parties after termination and may be exploited by both parties.

Canton of Glarus Court of Appeals, ZG.2007.00236

Theft of engineering drawings by defendant's supplier: Art. 5 let. b of the Swiss Unfair Competition Act requires that whoever exploits work products does so with knowledge that the material was given to him without permission.

Canton of Bern Court of Appeals, APH 09 240

Theft of customer lists by a competitor:  
Enumeration of different types of business secrets: price calculations, sources of supply, organizational charts, distribution channels, customer lists, business connections.

If confidential information was obtained lawfully, e.g. in the course of an employment or work contract, but subsequently exploited unlawfully, e.g. after termination of the employment contract, art. 2 of the Swiss Unfair Competition Act (general clause) is applicable. However, if a former employee obtains the information after termination of the employment contract unlawfully, e.g. by hacking a computer network system using his old password, art. 6 UCA is

applicable.

- BGE 133 III 431 Exploitation of customer data lawfully obtained in the course of an employment contract does not violate art. 6 UCA and may be used and developed deliberately, as improvement of services using lawfully obtained information is a goal of market competition.
- BGer  
6P.137/2006 The exploration of business secrets requires active behaviour, whereas art. 6 UCA is not applicable if business secrets were made accessible to the defendant in a lawful manner.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

Baudenbacher, Carl – Lauterkeitsrecht, Basel 2001; *Commentary on the Swiss Unfair Competition Act*.

Von Büren, Roland – Schweizerisches Immaterial- und Wettberwerbsrecht, vol. V, subvol. 1, Basel 1994; *Textbook containing extensive analysis of trade secret protection under the Swiss Unfair Competition Act*.

Meitinger, Ingo - Der Schutz von Geschäftsgeheimnissen im globalen und regionalen Wirtschaftsrecht, Bern etc. 2001; *Study regarding global and regional trade secret protection rules*.

Meitinger, Ingo - Die globale Rahmenordnung für den Schutz von Geschäftsgeheimnissen im TRIPS-Abkommen der WTO und ihre Auswirkungen auf die Rechtslage in der Schweiz, sic! 2002, 145; *Study on the framework for trade secret protection provided by TRIPS*.

Wickihalder, Urs - Die Geheimhaltungspflicht des Arbeitnehmers, Bern 2004; *Extensive study of the duty of secrecy of the employee*.

Rudolph, Roger - Kontakte zu Kunden des alten Arbeitgebers nach einem Stellenwechsel – Eine rechtliche Auslegeordnung unter besonderer Berücksichtigung der Eigenheiten in der Finanzbranche, ARV 2009, 93; *Article discussing the duty of secrecy of the employee*.

Frederic H. Compesse - Begriff und Schutz des Geheimnisses im Schweizerischen Zivilgesetzbuch (Strafgesetzbuch), in: ZStrR 56 (1942) 264; *Article about the basics of trade secret protection in Switzerland, in essence still valid today*.

## B. LITIGATION AND ENFORCEMENT

1 What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

The Swiss Unfair Competition Act does not protect trade secrets as such, but protects against illicit actions infringing trade secrets as such. The elements that must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement differ depending on the requirements of the respective provisions in which such action is based. Also, it depends whether it is a civil or a criminal procedure.

To successfully claim infringement of art. 4 lit.c UCA, the claimant needs to establish that the infringer, without good faith, used or disclosed information obtained from an employee of the owner of the trade secret, provided the employee has been induced to disclose this information.

Under art. 6 UCA the claimant needs to establish that infringer, without good faith, exploited or disclosed to third parties information which it illicitly explored, or obtained by applying other improper means.

If the claims are based on art. 5 lit. a UCA, the claimant needs to establish that the infringer exploited a work product entrusted to him.

Criminal law proceedings, as a general rule, are either initiated by the prosecuting authorities (if it is an *ex officio* offense, please see Criminal Law Questionnaire, B.1.), or by any third party – for instance the owner of the trade secret – lodging a complaint. In the latter case, the owner of the trade secret (or any third party filing the complaint) does not have to prove all elements of the offense, but the prosecuting authorities have to gather evidence themselves, as long as there is a so called initial suspicion (“Anfangsverdacht”). For instance, in case of art. 162 of the Criminal Code, the owner of the trade secret or any other person lodging the complaint must only provide information making it appear plausible that a third party, acting without good faith, betrayed a manufacturing or business secret which he or she was bound by statutory or contractual obligations to keep.

2. What civil remedies are made available? Are the remedies cumulative?

The main recourse against trade secret infringement in Switzerland is civil action. The reliefs a court may grant include, among others, an injunction preventing an infringement which is about to take place, an injunctive order to cease and desist from an infringing act, an order to disclose information about the scope of the infringement, an order to hand back or destroy the protected information, financial compensation (damages), and surrender of profits.

These remedies can be granted individually or cumulatively depending on the circumstances of the case.

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain *ex parte* orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

While there is no common law style pre-trial discovery in Switzerland, it has always been possible under the procedural provisions of the Cantons to file pre-trial applications for provisional measures for securing evidence. However, such orders were only granted if the applicant could make plausible not only the existence of an actual or threatening infringement of a trade secret, but also the unavailability of a particularly described piece of evidence unless it be provisionally secured. As a consequence, this *ex parte* order was only available in case the proprietor of the trade secret already knew that there has been an infringement and what exactly he is looking for. However, such an *ex parte* order was not available to obtain evidence to merely assess the merits of a case prior to filing a court action. As a consequence, claimants were unable to obtain evidence to verify the existence of potentially infringing acts. This made litigation particularly risky, taking into account that under Swiss procedural laws the losing party may have to bear the court fees and reimburse the prevailing party's legal costs.

Under the new Federal Code of Civil Procedure which entered into force on 1 January

2011 (and which uniformly applies in all 26 Cantons in Switzerland), it is now possible to request the court to take evidence as a provisional measure prior to filing a court action by showing a legitimate interest in such pre-trial taking of evidence. Assessing the merits of a case qualifies as such legitimate interest. The respective provisions do not exclusively specify and regulate the preliminary remedies, but allow the judge to decide on the appropriate measures based on the presented facts of the case. Thus, the judge is only limited by the principle of proportionality.

Furthermore, under the Patent Act as amended by the Act on the Federal Patent Court, the requirements for obtaining a precise description of allegedly infringing processes, products, and means of production have been lowered. The new rule is mainly based on the French "*saisie descriptive*" (descriptive seizure order) and referred to as "*saisie helvétique*" in Swiss legal literature. Under the *saisie helvétique*, a party may request a court to issue a seizure order by showing likelihood of infringement. While there is no case law yet, it is anticipated that a substantiation of the infringement with some evidentiary support will likely be considered sufficient for the court to grant such order. It is not necessary to show unavailability of the evidence or any specific legitimate interests to justify the pre-trial taking of evidence, which is a significant exception from the general Swiss rules of civil procedure.

Orders for the seizure of allegedly infringing goods or of the means for producing such goods as such (as opposed to the description) remain subject to the general requirement of showing irreparable harm. This means that seizure orders will remain available only if the applicant shows that the products or means for production are about to be sold or destroyed or modified unless they are seized prior to filing the infringement action.

Once ordered, the *saisie helvétique* is carried out by a member of the Federal Patent Court who may consult with an expert and cooperate with the Cantonal authorities, particularly the police. The applicant is allowed to participate in the process, unless the other party shows that business or manufacturing secrets may be disclosed, in which case the applicant may be excluded from the process. In order to safeguard the other party's interests and business secrets, the other party has the right to comment on the results of the description process prior to the applicant be granted access to these results. The court may restrict access to or redact part of the results.

The *saisie helvétique* is available for infringement cases heard before the Federal Patent Court only (please see below B.4.d).

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

The courts also have the power to grant preliminary injunctions, which are generally considered to be pre-trial measures, but can also be integrated in the legal action to secure the position of the applicant during the trial. Preliminary injunctions are only granted if:

- the applicant shows the plausibility that an infringement occurred or will occur;
- the applicant shows the plausibility that there is a threat of suffering irreparable damages which will not be adequately measured or addressed by the payment of compensation;
- the balance of convenience favors the applicant; and
- there is an urgency for the grant of the preliminary injunction.

The main difficulty in obtaining preliminary injunctions is establishing the plausibility of the infringement. It is not necessary to fully prove the infringement but it is sufficient to make a prima facie case for the likelihood of the infringement. The court is obliged to decide as quickly as possible about the matter and for this reason does not require the same level of proof as in case of a full action on the merits.

Under certain circumstances, in particular extreme urgency and an immanent risk that rights are infringed, a so-called "super preliminary injunction" can be granted *ex parte*, i.e., without the presence or the hearing of the opposing party. The opposing counsel is only informed about the injunction after it has been granted. Because of this interference with the opposing parties' right to be heard, *ex parte* preliminary injunctions are granted only if there is a risk that otherwise irreparable damages may occur, and are relatively rare in Switzerland.

If a party fears becoming the target of such *ex parte* preliminary injunction, it may consider filing a protective brief with the competent courts. In the protective brief, the alleged infringer may state the reasons why *ex parte* preliminary injunctions, if requested, shall not be granted.

Until recently, protective briefs did not play a significant role in Swiss litigation proceedings. The reason was mainly that under the 26 different Cantonal procedural laws, some courts did not accept protective briefs at all, while others immediately served protective briefs on the counterparty, even if no application for a preliminary injunction was filed.

With the entry into force of the new Federal Code of Civil Procedure, this problem no longer exists. Protective briefs are explicitly admissible and are not served on the presumed petitioner before a petition for an *ex parte* preliminary injunction is in fact filed. First cases suggest that protective briefs will become increasingly important in Swiss litigation practice.

Typical further preliminary measures granted by the court include temporary enforcement of preventive injunction, as well as preservation of evidence, the most important one being the seizure of internal documents application.

Preliminary measures can be granted individually or cumulatively depending on the case.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Final injunctions are, as a general rule, not time limited. Under certain circumstances, a court may however grant a preliminary injunction for a specific period of time only, for instance if it is foreseeable that the secret will become public knowledge.

Preliminary injunctions are only time limited in the sense that they must be confirmed through full proceedings on the merits within a deadline set by the judge (Art 263 Code of Civil Procedure). While art. 263 Code of Civil Procedure does not set a fix deadline, according to case law a 30days deadline is usually considered to be reasonable.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

Preliminary injunctions are usually granted within a few days or weeks from the filing of the motion with the court.

The average duration of full proceedings on the merits from initiating the claim to final judgment in first instance is between 8 – 12 months.

The costs involved – which include court costs, attorney's fees, as well as costs for experts, translations etc. – vary and are very difficult to assess without knowing the facts, but will likely be in the range of at least CHF 5'000 – 10'000 for preliminary injunctions up to a significant 5- or even 6-digit amount in full proceedings. Needless to say, costs may vary significantly depending on the complexity of the case, the number of briefs exchanged, the number of hearings and the scope of evidence that needs to be taken.

(d) Are cases involving technical trade secrets heard by specialist judges?

Judges at Cantonal level do not have technical or scientific expertise. The main reason is that the courts, with the exception of the four Cantonal commercial courts, do not have a sufficient caseload to develop substantial technical expertise. In addition, there are no particular procedures for trade secret litigation which could have compensated for these deficits.

As this had a huge impact on patent cases, a patent law reform was carried out recently. As a result, the Federal Patent Court was established which took up its work on 1 January 2012 and replaced the jurisdiction of the courts at the Cantonal level in patent matters. The Federal Patent Court consists of judges with legal background as well as judges with a technical education. The Patent Court Act requires that all of the judges have profound knowledge of patent law. In June 2010, two full-time judges (one with a legal and one with a technical background) as well as 20 technically qualified part-time judges and 11 part-time judges with a legal education were elected to the Federal Patent Court by the Swiss Parliament.

The Federal Patent Court has exclusive jurisdiction over validity and nullity actions, infringement of patents, and all claims regarding the grant of compulsory licenses. Also, the Federal Patent Court has exclusive jurisdiction over preliminary injunctions and the enforcement of judgments in these fields.

Besides this, the Federal Patent Court also has jurisdiction for civil actions, which are connected to the field of patent law. This can also include trade secret cases, provided they are connected to the field of patent law. In such a case, the jurisdiction of the Federal Patent Court does not exclude that of Cantonal courts.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

Even before specific enactments were made in Switzerland, case law had established the rule that secrecy should be preserved by all proper means, for example by the disclosure of confidential information to the court only, to the exclusion of the other party.

As of 1 January 2011, a corresponding provision is stipulated in the CPP. Art. 156 CPP guarantees the protection of trade secrets during litigation by allowing the court to take all required measures if legitimate interests, in particular trade secrets, of a party or of a third person are at risk when taking evidence. This provision is aimed at reaching a balance between the parties' right to be heard and the protection of trade secrets. As a consequence, the civil procedure becomes partially secret. Measures ordered by the court include: limitation of the inspection of the case files, hearing of a party without the presence of the other party, or only in the presence of the legal representative of the other party, but never the complete exclusion of trade secrets from the procedure.



Similar provisions already existed in the Cantonal laws; the partially secret procedure of taking evidence has been accepted by the major courts in Switzerland, but at the same time it has been harshly criticized in legal literature.

In parallel, Swiss Criminal Procedural Code provides for a restriction of the right to inspect files if trade secrets are endangered.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

Unknown. To our knowledge, no comprehensive studies regarding civil actions of a certain category exist. Furthermore, only part of the court decisions rendered is publicly available.

The Federal Code on Civil Procedure provides that each Canton of Switzerland has to designate a competent court, which decides as the only court instance within the Canton on all claims relating to the UCA. In the Canton of Zurich, the High Court is competent to decide on the infringement of the UCA provisions as the sole Cantonal authority. There is a possibility to appeal the decision of the High Court to the Federal Supreme Court

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

Please see above under A. 6. and B. 4. a). The main issue that makes the enforcement of trade secrets difficult is the fact that the plaintiff needs to provide sufficient evidence for the infringement.

5. What defences are available to the defendant in a trade secrets action?

The defense strategies available under Swiss law include in particular:

- that the trade secret of the claimant is not secret;
- that there is no infringement, i.e. that the requirements of the provisions on which the claims are based are not fulfilled;
- that the claimant's assertion of trade secrets violates antitrust law;
- that the infringement claims are time-barred or forfeited;
- that the infringer was not at fault for the infringement (defence against damages).

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

Certainly, the secrecy of the information is the main element considered by Swiss courts. As mentioned under A. 5. above, the claimant must not only prove that the respective trade secret is not publicly known, but also that he or she has a legitimate interest in keeping the trade secret secret ("*objektives Geheimhaltungsinteresse*") and that he or she intends to keep such information or data secret ("*subjektiver Geheimhaltungswille*").

The commercial value or importance for the relevant business, while rather irrelevant from a mere legal point of view, is likely to have an important impact on the motivation

of a judge to award remedies. Also, the factual background of the infringement, such as the person of the infringer, his previous relation to the plaintiff, the measures taken to oblige him to keep the secret, the likely reasons why he might have violated the secret and the plausible consequences of such action, also play an important role.

7. As to award of damages:

(a) What are the available options?

Basically three causes of action for monetary compensation are available: compensation for damages, account of profits and unjustified enrichment.

Compensation for damages is available if the trademark owner can prove damages, unlawfulness, a causal connection between the illegal activities and the damages, and fault on the part of the infringer.

In relation to account of profits, the impairment of a third party right (trade secret infringement), the infringer's profits (under certain circumstances a reduction of loss may suffice), the causal connection and bad faith on the side of the infringer need to be established.

Further, the owner of the trade secret has an action for unjustified enrichment. The probably prevailing doctrine presumes that at least usual or adequate royalties for the (illegal) use of the trade secret can be obtained. However, it is unclear whether any further profits of the infringer can be claimed and whether the counterplea that there is no enrichment left is applicable.

In practice, the claimant may consider difficulties in prosecuting claims for monetary compensation.

(b) What are the criteria to determine and calculate damages?

Three methods have been approved by the Federal Supreme Court to calculate damages, which can be briefly summarized as a proof-of-loss method:

(i) The actual or direct damage. The claimant has to establish the profit he would have made if the trade secret had not been infringed. This can be a decrease of the turnover. In practice, it turns out to be particularly difficult to prove that the decrease in sales is the result of the infringing act. For this reason, the court has discretion to estimate the amount of damages.

(ii) The "fair royalty" method. Here, the damage is calculated on the basis of the amount of a hypothetical licence agreement between the claimant and the infringer. The claimant has to establish that he would have concluded the said licence agreement under usual conditions. If it appears that a licence agreement would never have been concluded, this method is not applicable.

(iii) The third method takes the defendant's profit as a starting point. Contrary to the calculation of surrender of profits, the claimant has to prove that, but for the defendant's actions, he would have made the same profit.

Art. 423 CO enables the court to order the account of profits made by the defendant. The claimant does not have to prove his own damages (or that he would have been in a position to make the same profit as the infringer), but the profit made by the defendant. Even if the claimant would not have been in a position to make any profit himself, he may nevertheless claim the account of profits.

Generally, the damage needs to be estimated (figures). The judge has to appraise the existence and the extent of the damage taking into account the usual course of events (art. 42 (2) CO) but the requirements of substantiation and proof are considered extensive.

The Federal Supreme Court held that account of profits under Article 423 CO is available to the claimant if he can prove bad faith on the part of the infringer. The amount of unfair profits is calculated by reference to the net profit made by the defendant or the amount of royalties that the defendant would have had to pay to the claimant under a licence agreement.

If the defendant was in good faith, the claimant may base his action on unjust enrichment (art. 62 CO).

(c) Are punitive damages available for breach of trade secrets?

Swiss law does not recognize punitive damages. Punitive damages are not a concept of Switzerland's legislation, although some tariffs of copyright collecting societies foresee infringer surcharges. Lower instance courts have occasionally accepted surcharges. However, in 1996 the Swiss Federal Court refused to grant infringer surcharges because they lack but need a legal basis.

Furthermore, the Swiss Federal Court stated in a decision of 2004 that punitive damages are contrary to the Swiss *ordre public*. It is therefore not possible to enforce foreign awards of punitive damages in Switzerland.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

This depends on the specific circumstances of each single case and no meaningful average can be indicated.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

If trade secret violations result from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments), the remedies applied are those stipulated in the respective agreements. In particular, it is common to include contractual penalties which need to be paid.

Contrary to this, if the trade secret violation results from fraud, espionage or other improper actions, only the remedies mentioned under B. 2. above are available.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

As a general rule, the remedies are also enforceable against a person who obtained the secret in good faith. However, if a person obtained the trade secrets in good faith, the specific requirements set forth in the UCA as well as the further provisions granting trade secret protection are unlikely to be fulfilled.

Whether a person acted in good or bad faith may, furthermore, affect the award of damages.

If the claimant bases its claims on tort, fault is required. When assessing compensation, the judge can take into account the degree of fault and may also reduce the damages in the case of simple negligence (as opposed to gross negligence or intent) by the defendant.

If the claimant bases its claims on account of profits under art. 423 CO, according to the Federal Supreme Court the claimant must prove that the defendant acted in bad faith.

If the claimant bases its claims on unjust enrichment under art. 62 CO, neither fault nor good or bad faith play a role.

(b) A person who autonomously developed the same information?

Again, if a person autonomously developed the same information, the specific requirements set forth in the UCA as well as the further provisions granting trade secret protection will likely not be fulfilled. In such an event, both secrets would be protected, each in favor of its respective owner.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- While the employee is still employed?

Resulting from the principle of good faith as stipulated in Art. 321a para 1 and para 3 CO, the employee during the term of his employment may not compete with his employer. Art. 321a para 4, first sentence CO adds that an employee may not exploit or disclose to third parties any trade secrets obtained during his employer's service.

These obligations are complemented by art. 321b para 2 CO, following which the employee must immediately release to the employer whatever he brings forth in the course of his employment. While this provision focused on tangible objects when drafted (e.g., manufactured objects or harvested crop), it is nowadays interpreted to include know-how, especially in a tangible form like technical drawings, plans or manuals. According to the prevailing opinion, the employee may not even keep a copy of the work product he brought forth.

Besides this, employment agreements often contain non-compete and confidentiality clauses.

- Once the employee has left his employment?

Art. 321a para 4, second sentence CO explicitly sets forth that the employee remains bound by the confidentiality duty under the first sentence (see above B.10.a) even after the end of the employment relationship. This statutory post-contractual obligation applies to the extent it is required to safeguard the employer's legitimate interests.

There are also special statutory provisions in related fields. For example, art. 418d CO sets forth that an agent even after the end of the term of the agency agreement may not exploit or disclose to third parties trade secrets entrusted to him or which he obtained in his capacity as an agent.

In practice, contractual non-compete and confidentiality clauses are used to ensure that the former employee will not establish a competitive business activity and/or exploit

trade secrets after the termination of the employment agreement. Arts. 340 seq. CO contain mandatory provisions concerning the preconditions, scope, consequences and duration of such post-termination non-compete obligations. Contractual restrictions on former employees are permissible as such, however, they must be in writing to be valid and (along with other mandatory limitations), they are only enforceable, if the employee had access to trade secrets or customer lists and if the exploitation of such information could significantly harm the employer.

Disclosure and exploitation of trade secrets by a former employee can, in addition to a breach of the afore-mentioned statutory and/or contractual provisions, also constitute an infringement of arts. 4, 5 or 6 UCA, or the respective criminal law provisions.

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

The following clauses are often used in employment agreements in Switzerland:

*"The Employee shall during the period of employment with the Company and at any time thereafter, keep secret any confidential information concerning the business, contractual arrangements, deals, transactions, shareholders or particular affairs of the Company, its client and any companies and persons related thereto and shall not use any such information for his own benefit or the benefit of others. This obligation shall also exist with respect to any protected data and confidential information of third parties that the Employee gets to know while performing the obligations under this Agreement."*

*"The Employee is not allowed at any time during the employment with the Company (except as authorized or required in the proper performance of his employment) or at any time thereafter to disclose to any person, firm or Company any confidential information relating to the business affairs, manufacturing and technical processes, products designs, secret formulae, finances or trade secrets of the Company, its customers or suppliers to which the Employee has access or which may come to his knowledge in the performance of his duties. The Employee must not use or attempt to use or rely upon any such confidential information, either for himself or for the benefit of any other person, firm or company."*

Because such non-compete obligations limit the employee in his future economic life and professional opportunities, they are difficult to enforce in general and are interpreted narrowly.

11 Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

In practice, criminal prosecution is initiated by a complaint from the owner of the relevant secret, the injured party. The injured party in general does not have to provide full evidence but the prosecuting authorities will gather evidence in the course of the criminal proceedings. Naturally, the authorities have more extensive and effective means to gain evidence, and this is a clear advantage.

On the other hand, the injured party has no control over the progress and fate of the proceedings. Criminal proceedings may take particularly long, and civil claims may be time-barred in the meanwhile.

Criminal conviction requires evidence of all elements of the crime as well as the offender's intent. In practice, it may prove particularly difficult to demonstrate this last

element; eventually, criminal proceedings are often terminated without formal accusation.

Even though criminal law provides a good basis for sanctioning violations of trade secrets, in particular because the preconditions for a breach of a trade secret are less narrow than under unfair competition law, in practice it is difficult to obtain results.

Also, it is important to note that claims for compensation in practice are often pursued in civil proceedings (but, under Swiss procedural rules, can alternatively be pursued in adhesion proceedings to the criminal proceedings, please see Criminal Law Questionnaire, B.1.). The claimant can, however, use the information the authorities obtained in the course of their criminal investigations in the civil proceeding as he has a right to inspect the files. This may assist to provide the necessary evidence in the civil proceedings, in particular in cases in which the owner of the secret only suspects the infringement but has very little evidence. In such a case, owners of trade secrets can file a complaint and expect that the prosecuting authorities will obtain evidence.

Administrative proceedings are not available. Antitrust legislation does not provide for a specific protection of trade secrets and recourse to more general remedies might turn out to be very complex (e.g. necessity to ascertain the dominant position of the party) and not effective (please see Competition Law Questionnaire).

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

In Switzerland, companies in general make broad use of the options mentioned above to protect trade secrets.

The most common solution in relation to keeping business secrets is the non-disclosure agreement, which is either integrated in the respective agreement the parties are involved with or a separate agreement prior to the start of the cooperation. Such non-disclosure agreements play an important role to preserve the spreading of the secrets and also to maintain the secrecy in order to qualify for design or patent protection (requirement of novelty). They help to define which information exactly is to be protected.

Licensing agreements may be used if the owner of the trade secret has been able to protect it by means of a patent, design or trademark registration. The license may also incorporate confidentiality provisions to protect secret know-how, which does not qualify as patentable invention. As long as the trade secrets are not registered and therefore not protected by other provisions, the non-disclosure agreement remains the main option.

13. With regards to non disclosure and non use agreements:

- Are they effective and enforceable in your jurisdiction?

Non-disclosure and non-use agreements regarding trade secrets are well accepted under Swiss law. The parties to the non-disclosure agreement have a direct claim for actual fulfillment. If a party to the agreement breaches the contract, the other party can sue according to Art. 98 para 2 CO, which states that if the obligor is obliged to abstain from acting, he or she must compensate any damage arising from his or her mere non-observance.

Under Swiss law, the unilateral imposition of nondisclosure duties after leaving the company or retirement is not enforceable. In an employee/employer relationship, it is

however not necessary because art 321a para 4 CO provides for a (limited) post termination nondisclosure obligation.

- If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Contract law is the general basis in case of breach of non-disclosure and non-use agreements – it can be coupled, however, with claims under the UCA, in particular, as the UCA offers criminal sanctions (which is not the case with mere contractual claims).

(II) Does the US doctrine of inevitable disclosure exist in your jurisdiction?

The US doctrine of inevitable disclosure does not exist under Swiss law.

However, a preliminary injunction might be granted if there is an imminent danger that a former employee working in a new job would inevitably result in the use of trade secrets from the former employer. A well drafted non-competition clause made in writing in the employment contract may avoid such situations.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

Criminal and administrative matters, such as the criminal sanctions for violation of trade secrets under the Criminal Code, the Banking Act (banking secrecy) or administrative issues under the Data Protection Act, are governed by the principle of territoriality and are subject to the jurisdiction and legislation of the state in which a crime is committed or the administrative proceedings take place.

Civil claims, on the other hand, fall under Swiss courts' jurisdiction according to the Lugano Convention (LC) if the jurisdictions involved are signatories of the treaty and, otherwise, the Swiss Code on Private International Law (CPIL).

Given the jurisdiction of Swiss courts, the applicable law is determined by the relevant provisions of the CPIL.

#### *a) Jurisdiction*

Cross-border litigation over civil claims related to misappropriation and unlawful use ("*Verletzungsklagen*") of trade secrets is generally subject to the jurisdiction of Swiss courts at the place where the damages occurred (art. 5 no. 3 LC ("*Erfolgsort*",

"*Deliktsstatut*") respectively at the domicile of the defendant (cf. art. 109 para 1 (intellectual property) and 129 CPIL (unfair competition)). If the misappropriation or unlawful use results from a breach of contractual obligations, lawsuits are generally subject to the jurisdiction of Swiss courts at the defendant's domicile respectively habitual residence or, in employment law, alternatively at the place where the employee performs his work (art. 5 no. 1 LC, art. 115 CPIL for non-Lugano cases).

To summarize, courts at places (b), (c) and (d) have jurisdiction over trade secret actions according to Swiss private international law. The creation of trade secret is, however, not recognized as a connecting factor for jurisdiction. Therefore, if infringing behavior occurs in Switzerland (i.e. (b) and (c)) or if the defendant is domiciled in Switzerland (i.e. (d)), Swiss courts have jurisdiction.

#### *b) Applicable Law*

Issues resulting from contractual obligations concerning trade secrets are primarily governed by the law chosen by the parties, which, however, is limited in cases relating to employment law. If there is no choice of law made by the parties, the contract is governed by the law of the country most closely connected with it (doctrine of the "characteristic obligation", art. 116, 117 CPIL).

Civil claims relating to trade secrets founded on an act of unfair competition are governed by the law of the State in whose market the effects occur. However, if the act affects exclusively the business of a particular competitor, the applicable law is that of the State where the place of business of the injured party is located (art. 136 CPIL).

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

With regard to civil claims concerning trade secrets, foreign decisions are generally recognized in Switzerland if the judicial authorities of the state where the decision was rendered had jurisdiction, if the decision is no longer subject to any ordinary appeal or is a final decision and if there is no ground for denial, i.e. is not manifestly incompatible with Swiss public policy ("ordre public") (art. 25 to 27 CPIL).

Notably, recognition can be denied if a party establishes that the decision was rendered in violation of fundamental principles pertaining to the Swiss conception of procedural law. A decision that is recognized pursuant to these requirements is declared enforceable upon request of the interested party.

Even if a decision does not meet the outlined formal requirements, Swiss courts and authorities may consider the decision to a greater or lesser extent by referring to them in other proceedings.



## APPENDIX OF SWISS LEGAL PROVISIONS

All legal provisions are in English language (except the Swiss Rules of International Arbitration) are unofficial and intended for informational purposes only. The translations have been provided by the Federal Authorities of the Swiss Confederation, the Swiss-American Chamber of Commerce and Baker & McKenzie Zurich.

### OBLIGATIONENRECHT (SR 220)

Code des obligations  
Codice delle obbligazioni  
Code of Obligations

#### *Art. 42*

Art. 42 Determining the loss or damage

<sup>1</sup> A person claiming damages must prove that loss or damage occurred.

<sup>2</sup> Where the exact value of the loss or damage cannot be quantified, the court shall estimate the value at its discretion in the light of the normal course of events and the steps taken by the injured party.

<sup>3</sup> The costs of treating animals kept as pets rather than for investment or commercial purposes may be claimed within appropriate limits as a loss even if they exceed the value of the animal.

Art. 42 Festsetzung des Schadens

<sup>1</sup> Wer Schadenersatz beansprucht, hat den Schaden zu beweisen.

<sup>2</sup> Der nicht ziffernmässig nachweisbare Schaden ist nach Ermessen des Richters mit Rücksicht auf den gewöhnlichen Lauf der Dinge und auf die vom Geschädigten getroffenen Massnahmen abzuschätzen.

<sup>3</sup> Bei Tieren, die im häuslichen Bereich und nicht zu Vermögens- oder Erwerbszwecken gehalten werden, können die Heilungskosten auch dann angemessen als Schaden geltend gemacht werden, wenn sie den Wert des Tieres übersteigen.

Art. 42 Fixation du dommage

<sup>1</sup> La preuve du dommage incombe au demandeur.

<sup>2</sup> Lorsque le montant exact du dommage ne peut être établi, le juge le détermine équitablement en considération du cours ordinaire des choses et des mesures prises par la partie lésée.

<sup>3</sup> Les frais de traitement pour les animaux qui vivent en milieu domestique et ne sont pas gardés dans un but patrimonial ou de gain font l'objet d'un remboursement approprié, même s'ils sont supérieurs à la valeur de l'animal.

Art. 42 Determinazione del danno

<sup>1</sup> Chi pretende il risarcimento del danno ne deve fornire la prova.

<sup>2</sup> Il danno di cui non può essere provato il preciso importo, è stabilito dal prudente criterio del giudice avuto riguardo all'ordinario andamento delle cose ed alle misure prese dal danneggiato.

<sup>3</sup> Per gli animali domestici non tenuti a scopo patrimoniale o lucrativo, le spese di cura possono essere fatte valere adeguatamente come danno anche quando eccedono il valore dell'animale.

#### *Art. 62*

Art. 62 Requirement

<sup>1</sup> A person who has enriched himself without just cause at the expense of another is obliged to make restitution.

<sup>2</sup> In particular, restitution is owed for money benefits obtained for no valid reason whatsoever, for a reason that did not transpire or for a reason that subsequently ceased to exist.

#### Art. 62 Voraussetzung

<sup>1</sup> Wer in ungerechtfertigter Weise aus dem Vermögen eines andern bereichert worden ist, hat die Bereicherung zurückzuerstatten.

<sup>2</sup> Insbesondere tritt diese Verbindlichkeit dann ein, wenn jemand ohne jeden gültigen Grund oder aus einem nicht verwirklichten oder nachträglich weggefallenen Grund eine Zuwendung erhalten hat.

#### Art. 62 Conditions

<sup>1</sup> Celui qui, sans cause légitime, s'est enrichi aux dépens d'autrui, est tenu à restitution.

<sup>2</sup> La restitution est due, en particulier, de ce qui a été reçu sans cause valable, en vertu d'une cause qui ne s'est pas réalisée, ou d'une cause qui a cessé d'exister.

#### Art. 62 Condizioni

<sup>1</sup> Chi senza causa legittima si trovi arricchito a danno dell'altrui patrimonio, è tenuto a restituire l'arricchimento.

<sup>2</sup> Si fa luogo alla restituzione specialmente di ciò che fu dato o prestato senza valida causa, o per una causa non avveratasi o che ha cessato di sussistere.

### Art. 98

#### Art. 98 Obligation to act or refrain from action

<sup>1</sup> Where the obligation is to take certain action, the obligee may without prejudice to his claims for damages obtain authority to perform the obligation at the obligor's expense.

<sup>2</sup> Where the obligation is to refrain from taking certain action, any breach of such obligation renders the obligor liable to make amends for the loss or damage caused.

<sup>3</sup> In addition, the obligee may request that the situation constituting a breach of the obligation be rectified and may obtain authority to rectify it at the obligor's expense.

#### Art. 98 Bei Verbindlichkeit zu einem Tun oder Nichttun

<sup>1</sup> Ist der Schuldner zu einem Tun verpflichtet, so kann sich der Gläubiger, unter Vorbehalt seiner Ansprüche auf Schadenersatz, ermächtigen lassen, die Leistung auf Kosten des Schuldners vorzunehmen.

<sup>2</sup> Ist der Schuldner verpflichtet, etwas nicht zu tun, so hat er schon bei blosserem Zuwiderhandeln den Schaden zu ersetzen.

<sup>3</sup> Überdies kann der Gläubiger die Beseitigung des rechtswidrigen Zustandes verlangen und sich ermächtigen lassen, diesen auf Kosten des Schuldners zu beseitigen.

#### Art. 98 Obligations de faire et de ne pas faire

<sup>1</sup> S'il s'agit d'une obligation de faire, le créancier peut se faire autoriser à l'exécution aux frais du débiteur; toute action en dommages-intérêts demeure réservée.

<sup>2</sup> Celui qui contrevient à une obligation de ne pas faire doit des dommages-intérêts par le seul fait de la contravention.

<sup>3</sup> Le créancier a, en outre, le droit d'exiger que ce qui a été fait en contravention de l'engagement soit supprimé; il peut se faire autoriser à opérer cette suppression aux frais du débiteur.

Art. 98 Per le obbligazioni di fare e non fare

<sup>1</sup> Trattandosi di un'obbligazione di fare, il creditore può farsi autorizzare ad eseguire la prestazione a spese del debitore, riservate le sue pretese pel risarcimento dei danni.

<sup>2</sup> Se l'obbligazione consiste nel non fare, il debitore, che vi contravviene, è tenuto ai danni pel solo fatto della contravvenzione.

<sup>3</sup> Il creditore può inoltre chiedere che sia tolto ciò che fu fatto in contravvenzione alla promessa o farsi autorizzare a toglierlo egli stesso a spese del debitore.

#### Art. 321a

Art. 321a Duty of care and loyalty

<sup>1</sup> The employee must carry out the work assigned to him with due care and loyally safeguard the employer's legitimate interests.

<sup>2</sup> He must use the employer's machinery, work tools, technical equipment, installations and vehicles in the appropriate manner and treat them and all materials placed at his disposal for the performance of his work with due care.

<sup>3</sup> For the duration of the employment relationship the employee must not perform any paid work for third parties in breach of his duty of loyalty, in particular if such work is in competition with his employer.

<sup>4</sup> For the duration of the employment relationship the employee must not exploit or reveal confidential information obtained while in the employer's service, such as manufacturing or trade secrets; he remains bound by such duty of confidentiality even after the end of the employment relationship to the extent required to safeguard the employer's legitimate interests.

Art. 321a Sorgfalts- und Treuepflicht

<sup>1</sup> Der Arbeitnehmer hat die ihm übertragene Arbeit sorgfältig auszuführen und die berechtigten Interessen des Arbeitgebers in guten Treuen zu wahren.

<sup>2</sup> Er hat Maschinen, Arbeitsgeräte, technische Einrichtungen und Anlagen sowie Fahrzeuge des Arbeitgebers fachgerecht zu bedienen und diese sowie Material, die ihm zur Ausführung der Arbeit zur Verfügung gestellt werden, sorgfältig zu behandeln.

<sup>3</sup> Während der Dauer des Arbeitsverhältnisses darf der Arbeitnehmer keine Arbeit gegen Entgelt für einen Dritten leisten, soweit er dadurch seine Treuepflicht verletzt, insbesondere den Arbeitgeber konkurrenziert.

<sup>4</sup> Der Arbeitnehmer darf geheim zu haltende Tatsachen, wie namentlich Fabrikations- und Geschäftsgeheimnisse, von denen er im Dienst des Arbeitgebers Kenntnis erlangt, während des Arbeitsverhältnisses nicht verwerten oder anderen mitteilen; auch nach dessen Beendigung bleibt er zur Verschwiegenheit verpflichtet, soweit es zur Wahrung der berechtigten Interessen des Arbeitgebers erforderlich ist.

Art. 321a Diligence et fidélité à observer

<sup>1</sup> Le travailleur exécute avec soin le travail qui lui est confié et sauvegarde fidèlement les intérêts légitimes de l'employeur.

<sup>2</sup> Il est tenu d'utiliser selon les règles en la matière les machines, les instruments de travail, les appareils et les installations techniques ainsi que

les véhicules de l'employeur, et de les traiter avec soin, de même que le matériel mis à sa disposition pour l'exécution de son travail.

<sup>3</sup> Pendant la durée du contrat, le travailleur ne doit pas accomplir du travail rémunéré pour un tiers dans la mesure où il lèse son devoir de fidélité et, notamment, fait concurrence à l'employeur.

<sup>4</sup> Pendant la durée du contrat, le travailleur ne doit pas utiliser ni révéler des faits destinés à rester confidentiels, tels que les secrets de fabrication et d'affaires dont il a pris connaissance au service de l'employeur; il est tenu de garder le secret même après la fin du contrat en tant que l'exige la sauvegarde des intérêts légitimes de l'employeur.

#### Art. 321a Diligenza e fedeltà

<sup>1</sup> Il lavoratore deve eseguire con diligenza il lavoro assegnatogli e salvaguardare con fedeltà gli interessi legittimi del datore di lavoro.

<sup>2</sup> Egli deve adoperare secondo le regole le macchine, gli utensili e le installazioni tecniche nonché i veicoli del datore di lavoro e trattarli con cura, come pure il materiale messo a sua disposizione.

<sup>3</sup> Durante il rapporto di lavoro, il lavoratore non può eseguire lavoro remunerato per conto di un terzo nella misura in cui leda il dovere di fedeltà verso il datore di lavoro, segnatamente facendogli concorrenza.

<sup>4</sup> Durante il rapporto di lavoro, il lavoratore non può utilizzare né rivelare fatti di natura confidenziale, segnatamente i segreti di fabbricazione e di affari, di cui ha avuto conoscenza al servizio del datore di lavoro; egli è tenuto al segreto anche dopo la fine del rapporto di lavoro nella misura in cui la tutela degli interessi legittimi del datore di lavoro lo esiga.

#### Art. 321b

##### Art. 321b Disclosure and hand-over of benefits received and work produced

<sup>1</sup> The employee is accountable to his employer for everything, and in particular sums of money, he receives from third parties in the performance of his contractual activities and must hand it over to the employer immediately.

<sup>2</sup> He must likewise immediately hand over to the employer all work produced in the course of his contractual activities.

##### Art. 321b Rechenschafts- und Herausgabepflicht

<sup>1</sup> Der Arbeitnehmer hat dem Arbeitgeber über alles, was er bei seiner vertraglichen Tätigkeit für diesen von Dritten erhält, wie namentlich Geldbeträge, Rechenschaft abzulegen und ihm alles sofort herauszugeben.

<sup>2</sup> Er hat dem Arbeitgeber auch alles sofort herauszugeben, was er in Ausübung seiner vertraglichen Tätigkeit hervorbringt.

##### Art. 321b Obligation de rendre compte et de restituer

<sup>1</sup> Le travailleur rend compte à l'employeur de tout ce qu'il reçoit pour lui dans l'exercice de son activité contractuelle, notamment des sommes d'argent; il lui remet immédiatement ce qu'il a reçu.

<sup>2</sup> Il remet en outre immédiatement à l'employeur tout ce qu'il produit par son activité contractuelle.

##### Art. 321b Rendiconto e restituzione

<sup>1</sup> Il lavoratore deve presentare al datore di lavoro un rendiconto di tutto ciò che riceve per quest'ultimo da terzi nell'esercizio dell'attività contrattuale, segnatamente denaro, e consegnarglielo subito.

<sup>2</sup> Egli deve consegnare subito al datore di lavoro anche tutto ciò che produce nell'esercizio dell'attività contrattuale.

*Art. 398*

Art. 398 Faithful performance

<sup>1</sup> The agent generally has the same duty of care as the employee in an employment relationship.

<sup>2</sup> The agent is liable to the principal for the diligent and faithful performance of the business entrusted to him.

<sup>3</sup> He must conduct such business in person unless authorised or compelled by circumstance to delegate it to a third party or where such delegation is deemed admissible by custom.

Art. 398 Haftung für getreue Ausführung

<sup>1</sup> Der Beauftragte haftet im Allgemeinen für die gleiche Sorgfalt wie der Arbeitnehmer im Arbeitsverhältnis.

<sup>2</sup> Er haftet dem Auftraggeber für getreue und sorgfältige Ausführung des ihm übertragenen Geschäftes.

<sup>3</sup> Er hat das Geschäft persönlich zu besorgen, ausgenommen, wenn er zur Übertragung an einen Dritten ermächtigt oder durch die Umstände genötigt ist, oder wenn eine Vertretung Übungsgemäss als zulässig betrachtet wird.

Art. 398 Responsabilité pour une bonne et fidèle exécution

<sup>1</sup> La responsabilité du mandataire est soumise, d'une manière générale, aux mêmes règles que celle du travailleur dans les rapports de travail.

<sup>2</sup> Le mandataire est responsable envers le mandant de la bonne et fidèle exécution du mandat.

<sup>3</sup> Il est tenu de l'exécuter personnellement, à moins qu'il ne soit autorisé à le transférer à un tiers, qu'il n'y soit contraint par les circonstances ou que l'usage ne permette une substitution de pouvoirs.

Art. 398 Responsabilità per fedele esecuzione

<sup>1</sup> Il mandatario è soggetto in genere alle norme di responsabilità del lavoratore nel rapporto di lavoro.

<sup>2</sup> Egli è responsabile verso il mandante della fedele e diligente esecuzione degli affari affidatigli.

<sup>3</sup> Egli è tenuto ad eseguire personalmente il mandato, a meno che la sostituzione di un terzo non sia consentita od imposta dalle circostanze o ammessa dall'uso.

*Art. 418d*

Art. 418d Duty of discretion and prohibition of competition

<sup>1</sup> The agent must not exploit or reveal the principal's trade secrets with which he has been entrusted or of which he became aware by reason of the agency relationship even after the end of the commercial agency contract.

<sup>2</sup> The provisions governing service contracts are applicable mutatis mutandis to a contractual prohibition of competition. Where such a prohibition has been agreed, on termination of the contract the agent has an inalienable entitlement to adequate special remuneration.

Art. 418d Geheimhaltungspflicht und Konkurrenzverbot

<sup>1</sup> Der Agent darf Geschäftsgeheimnisse des Auftraggebers, die ihm anvertraut oder auf Grund des Agenturverhältnisses bekannt geworden sind, auch nach Beendigung des Vertrages nicht verwerten oder anderen mitteilen.

<sup>2</sup> Auf ein vertragliches Konkurrenzverbot sind die Bestimmungen über den Dienstvertrag entsprechend anwendbar. Ist ein Konkurrenzverbot

vereinbart, so hat der Agent bei Auflösung des Vertrages einen unabdingbaren Anspruch auf ein angemessenes besonderes Entgelt.

Art. 418d Obligation de garder le secret et prohibition de faire concurrence

<sup>1</sup> L'agent ne peut, même après la fin du contrat, utiliser ou révéler les secrets d'affaires du mandant qui lui ont été confiés ou dont il a eu connaissance en raison du contrat.

<sup>2</sup> Les dispositions sur le contrat de travail sont applicables par analogie à l'obligation contractuelle de ne pas faire concurrence. Lorsqu'une prohibition de faire concurrence a été convenue, l'agent a droit, à la fin du contrat, à une indemnité spéciale équitable qui ne peut pas lui être supprimée par convention.

Art. 418d Obbligo del segreto e divieto di concorrenza

<sup>1</sup> L'agente non può, anche dopo la cessazione del contratto, utilizzare o rivelare ad altri i segreti dell'azienda del mandante che gli sono stati confidati o di cui ha avuto notizia in virtù dei rapporti di agenzia.

<sup>2</sup> Le disposizioni del contratto di lavoro sono applicabili per analogia all'obbligo contrattuale di non fare concorrenza. Se è stato convenuto un divieto di concorrenza, allo scioglimento del contratto l'agente ha diritto a un'adeguata remunerazione speciale. Tale diritto non può essere soppresso.

#### Art. 423

Art. 423 Business conducted in the agent's interests

<sup>1</sup> Where agency activities were not carried out with the best interests of the principal in mind, he is nonetheless entitled to appropriate any resulting benefits.

<sup>2</sup> The principal is obliged to compensate the agent and release him from obligations assumed only to the extent the principal is enriched.

Art. 423 Geschäftsführung im Interesse des Geschäftsführers

<sup>1</sup> Wenn die Geschäftsführung nicht mit Rücksicht auf das Interesse des Geschäftsherrn unternommen wurde, so ist dieser gleichwohl berechtigt, die aus der Führung seiner Geschäfte entspringenden Vorteile sich anzueignen.

<sup>2</sup> Zur Ersatzleistung an den Geschäftsführer und zu dessen Entlastung ist der Geschäftsherr nur so weit verpflichtet, als er bereichert ist.

Art. 423 Affaire entreprise dans l'intérêt du gérant

<sup>1</sup> Lorsque la gestion n'a pas été entreprise dans l'intérêt du maître, celui-ci n'en a pas moins le droit de s'approprier les profits qui en résultent.

<sup>2</sup> Il n'est tenu d'indemniser le gérant ou de lui donner décharge que jusqu'à concurrence de son enrichissement.

Art. 423 Gestione nell'interesse del gestore

<sup>1</sup> Se la gestione non fu assunta nell'interesse del padrone, questi può ciò nonostante appropriarsi i gli utili che ne sono derivati.

<sup>2</sup> Il padrone non è tenuto a risarcire o a liberare il gestore se non in quanto siasi arricchito.

#### Art. 697d

Art. 697d Audit activities

<sup>1</sup> The special audit must be carried out within a reasonable period and without unnecessary disruption to the company's business.

<sup>2</sup> Founder members, governing officers, agents, employees, official receivers and liquidators must provide the special auditor with information on any relevant facts. In cases of doubt, the court decides.

<sup>3</sup> The special auditor hears the company on the results of the special audit.

<sup>4</sup> He is required to preserve confidentiality.

#### Art. 697d Tätigkeit

<sup>1</sup> Die Sonderprüfung ist innert nützlicher Frist und ohne unnötige Störung des Geschäftsganges durchzuführen.

<sup>2</sup> Gründer, Organe, Beauftragte, Arbeitnehmer, Sachwalter und Liquidatoren müssen dem Sonderprüfer Auskunft über erhebliche Tatsachen erteilen. Im Streitfall entscheidet der Richter.

<sup>3</sup> Der Sonderprüfer hört die Gesellschaft zu den Ergebnissen der Sonderprüfung an.

<sup>4</sup> Er ist zur Verschwiegenheit verpflichtet.

#### Art. 697d Activité

<sup>1</sup> Le contrôle spécial doit être effectué dans un délai utile sans perturber inutilement la marche des affaires.

<sup>2</sup> Les fondateurs, les organes, les mandataires, les travailleurs, les curateurs et les liquidateurs sont tenus de renseigner le contrôleur spécial sur les faits importants. En cas de litige, le juge tranche.

<sup>3</sup> Le contrôleur spécial entend la société sur le résultat du contrôle spécial.

<sup>4</sup> Il est soumis au devoir de discrétion.

#### Art. 697d Attività

<sup>1</sup> La verifica speciale deve essere effettuata entro un termine utile e senza perturbare l'andamento degli affari.

<sup>2</sup> I promotori, gli organi, i mandatarî, i lavoratori, i commissari e i liquidatori sono tenuti a fornire ragguagli al controllore speciale sui fatti rilevanti. In caso di disaccordo, decide il giudice.

<sup>3</sup> Il controllore speciale sente la società sul risultato della verifica speciale.

<sup>4</sup> Egli è soggetto al dovere di discrezione.

#### Art. 717

##### Art. 717 Duty of care and loyalty

<sup>1</sup> The members of the board of directors and third parties engaged in managing the company's business must perform their duties with all due diligence and safeguard the interests of the company in good faith.

<sup>2</sup> They must afford the shareholders equal treatment in like circumstances.

##### Art. 717 Sorgfalts- und Treuepflicht

<sup>1</sup> Die Mitglieder des Verwaltungsrates sowie Dritte, die mit der Geschäftsführung befasst sind, müssen ihre Aufgaben mit aller Sorgfalt erfüllen und die Interessen der Gesellschaft in guten Treuen wahren.

<sup>2</sup> Sie haben die Aktionäre unter gleichen Voraussetzungen gleich zu behandeln.

##### Art. 717 Devoirs de diligence et de fidélité

<sup>1</sup> Les membres du conseil d'administration, de même que les tiers qui s'occupent de la gestion, exercent leurs attributions avec toute la diligence nécessaire et veillent fidèlement aux intérêts de la société.

<sup>2</sup> Ils doivent traiter de la même manière les actionnaires qui se trouvent dans la même situation.

Art. 717 Obbligo di diligenza e di fedeltà

<sup>1</sup> Gli amministratori e i terzi che si occupano della gestione sono tenuti ad adempiere i loro compiti con ogni diligenza e a salvaguardare secondo buona fede gli interessi della società.

<sup>2</sup> Devono trattare allo stesso modo gli azionisti che si trovano nella stessa situazione.

#### Art. 730b

Art. 730b Information and confidentiality

<sup>1</sup> The board of directors provides the auditor with all the documents and information that it requires, in writing if so requested.

<sup>2</sup> The auditor safeguards the business secrets of the company in its assessments, unless it is required by law to disclose such information. In its reports, in submitting notices and in providing information to the general meeting, it safeguards the business secrets of the company.

Art. 730b Auskunft und Geheimhaltung

<sup>1</sup> Der Verwaltungsrat übergibt der Revisionsstelle alle Unterlagen und erteilt ihr die Auskünfte, die sie für die Erfüllung ihrer Aufgaben benötigt, auf Verlangen auch schriftlich.

<sup>2</sup> Die Revisionsstelle wahrt das Geheimnis über ihre Feststellungen, soweit sie nicht von Gesetzes wegen zur Bekanntgabe verpflichtet ist. Sie wahrt bei der Berichterstattung, bei der Erstattung von Anzeigen und bei der Auskunftserteilung an die Generalversammlung die Geschäftsgeheimnisse der Gesellschaft.

Art. 730b Information et maintien du secret

<sup>1</sup> Le conseil d'administration remet tous les documents à l'organe de révision et lui communique tous les renseignements dont il a besoin pour s'acquitter de ses tâches; sur demande, il lui transmet ces renseignements par écrit.

<sup>2</sup> L'organe de révision garde le secret sur ses constatations, à moins que la loi ne l'oblige à les révéler. Il garantit le secret des affaires de la société lorsqu'il établit son rapport, lorsqu'il procède aux avis obligatoires et lorsqu'il fournit des renseignements lors de l'assemblée générale.

Art. 730b Raggiugli e segreto

<sup>1</sup> Il consiglio d'amministrazione consegna all'ufficio di revisione tutti i documenti e gli fornisce, su richiesta anche per scritto, i raggiugli di cui questo ha bisogno per adempiere i suoi compiti.

<sup>2</sup> L'ufficio di revisione è tenuto a salvaguardare il segreto sulle sue constatazioni, sempre che la legge non lo obblighi a comunicarle. Nell'allestire la sua relazione, dare avvisi e fornire raggiugli all'assemblea generale, esso è tenuto a salvaguardare i segreti d'affari della società.



Code civil  
Codice civile  
Civil Code

*Art. 2*

Art. 2 Limits of civil rights

General obligations

<sup>1</sup> Every person is bound to exercise his rights and fulfill his obligations according to the principles of good faith

<sup>2</sup> The law does not sanction the evident abuse of a man's rights.

Art. 2 Inhalt der Rechtsverhältnisse

Handeln nach Treu und Glauben

<sup>1</sup> Jedermann hat in der Ausübung seiner Rechte und in der Erfüllung seiner Pflichten nach Treu und Glauben zu handeln.

<sup>2</sup> Der offenbare Missbrauch eines Rechtes findet keinen Rechtsschutz.

Art. 2 Etendue des droits civils

Devoirs généraux

<sup>1</sup> Chacun est tenu d'exercer ses droits et d'exécuter ses obligations selon les règles de la bonne foi.

<sup>2</sup> L'abus manifeste d'un droit n'est pas protégé par la loi.

Art. 2 Limiti dei rapporti giuridici

Osservanza della buona fede

<sup>1</sup> Ognuno è tenuto ad agire secondo la buona fede così nell'esercizio dei propri diritti come nell'adempimento dei propri obblighi.

<sup>2</sup> Il manifesto abuso del proprio diritto non è protetto dalla legge.

*Art. 28*

Art. 28 Principles

<sup>1</sup> Where anyone is being injured in his person or reputation by another's unlawful act, he can apply to the judge for an injunction to restrain the continuation of that act.

<sup>2</sup> An action for damages or for the payment of a sum of money by way of moral compensation can be brought only in special cases provided by law.

Art. 28 Grundsatz

<sup>1</sup> Wer in seiner Persönlichkeit widerrechtlich verletzt wird, kann zu seinem Schutz gegen jeden, der an der Verletzung mitwirkt, das Gericht anrufen.

<sup>2</sup> Eine Verletzung ist widerrechtlich, wenn sie nicht durch Einwilligung des Verletzten, durch ein überwiegendes privates oder öffentliches Interesse oder durch Gesetz gerechtfertigt ist.

Art. 28 Principe

<sup>1</sup> Celui qui subit une atteinte illicite à sa personnalité peut agir en justice pour sa protection contre toute personne qui y participe.

<sup>2</sup> Une atteinte est illicite, à moins qu'elle ne soit justifiée par le consentement de la victime, par un intérêt prépondérant privé ou public, ou par la loi.

Art. 28 Principio

<sup>1</sup> Chi è illecitamente leso nella sua personalità può, a sua tutela, chiedere l'intervento del giudice contro chiunque partecipi all'offesa.

<sup>2</sup> La lesione è illecita quando non è giustificata dal consenso della persona lesa, da un interesse preponderante pubblico o privato, oppure dalla legge.

ZIVILPROZESSORDNUNG (SR. 272)

Code de procédure civile  
Codice di diritto processuale civile  
Federal Code of Civil Procedure

*Art. 156*

Art. 156 Protection of legitimate interests

In case the hearing of evidence endangers the legitimate interests of a party to the trial or a third party, in particular their trade secrets, the court shall take the appropriate measures.

Art. 156 Wahrung schutzwürdiger Interessen

Gefährdet die Beweisabnahme die schutzwürdigen Interessen einer Partei oder Dritter, wie insbesondere deren Geschäftsgeheimnisse, so trifft das Gericht die erforderlichen Massnahmen.

Art. 156 Sauvegarde d'intérêts dignes de protection

Le tribunal ordonne les mesures propres à éviter que l'administration des preuves ne porte atteinte à des intérêts dignes de protection des parties ou de tiers, notamment à des secrets d'affaires.

Art. 156 Tutela di interessi degni di protezione

Se l'assunzione delle prove rischia di pregiudicare interessi degni di protezione di una parte o di terzi, come in particolare segreti d'affari, il giudice prende i provvedimenti necessari a loro tutela.

MARKENSCHUTZGESETZ (SR 232.11)

Loi sur la protection des marques  
Legge sulla protezione dei marchi  
Trademark Act

*Art. 72b*

Art. 72b Protection of manufacturing and trade secrets

<sup>1</sup> Simultaneously with the notification pursuant to article 72 paragraph 1, the customs authorities notify the declarant, possessor or owner of the merchandise regarding the possibility of handing over specimen or samples, respectively of the possibility of inspection according to article 72a paragraph 1.

<sup>2</sup> The declarant, possessor or owner may request, for the purpose of protection of manufacturing or trade secrets, to be present at the inspection.

<sup>3</sup> The customs authorities can, on reasonable request of the declarant, possessor or owner, deny the handing over of specimen or samples.

Art. 72b Wahrung von Fabrikations- und Geschäftsgeheimnissen

<sup>1</sup> Gleichzeitig mit der Benachrichtigung nach Artikel 72 Absatz 1 informiert die Zollverwaltung den Anmelder, Besitzer oder Eigentümer der Ware über die mögliche Übergabe von Proben oder Mustern beziehungsweise die Besichtigungsmöglichkeit nach Artikel 72a Absatz 1.

<sup>2</sup> Der Anmelder, Besitzer oder Eigentümer kann verlangen, zur Wahrung seiner Fabrikations- oder Geschäftsgeheimnisse bei der Besichtigung anwesend zu sein.

<sup>3</sup> Die Zollverwaltung kann auf begründeten Antrag des Anmelders, Besitzers oder Eigentümers die Übergabe von Proben oder Mustern verweigern.

Art. 72b Protection des secrets de fabrication ou d'affaires

<sup>1</sup> En même temps que la communication visée à l'art. 72, al. 1 l'Administration des douanes informe le déclarant, le possesseur ou le propriétaire des produits de la possibilité, prévue à l'art. 72a, al. 1, de remettre des échantillons au requérant ou de le laisser examiner sur place les produits retenus.

<sup>2</sup> Le déclarant, le possesseur ou le propriétaire des produits peut demander d'assister à l'examen afin de protéger ses secrets de fabrication ou d'affaires.

<sup>3</sup> Sur demande motivée du déclarant, du possesseur ou du propriétaire des produits, l'Administration des douanes peut refuser la remise d'échantillons.

Art. 72b Tutela dei segreti di fabbricazione e d'affari

<sup>1</sup> Contemporaneamente alla comunicazione di cui all'articolo 72 capoverso 1, l'Amministrazione delle dogane informa il dichiarante, detentore o proprietario della merce della possibile consegna di campioni o della possibilità di ispezionarli secondo l'articolo 72a capoverso 1.

<sup>2</sup> Il dichiarante, detentore o proprietario può chiedere di essere presente durante l'ispezione al fine di tutelare i propri segreti di fabbricazione o d'affari.

<sup>3</sup> L'Amministrazione delle dogane può, su richiesta motivata del dichiarante, detentore o proprietario, rifiutare la consegna di campioni.

Code pénal  
Codice penale  
Criminal Code

*Art. 102*

Art. 102 Liability under the criminal law

<sup>1</sup> If a felony or misdemeanour is committed in an undertaking in the exercise of commercial activities in accordance with the objects of the undertaking and if it is not possible to attribute this act to any specific natural person due to the inadequate organisation of the undertaking, then the felony or misdemeanour shall be attributed to the undertaking. In such cases, the undertaking shall be liable to a fine not exceeding 5 million francs.

(...)

<sup>3</sup> The court shall assess the fine in particular in accordance with the seriousness of the offence, the seriousness of the organisational inadequacies and of the loss or damage caused, and based on the economic ability of the undertaking to pay the fine.

<sup>4</sup> Undertakings within the meaning of this title are:

- a. any legal entity under private law;
- b. any legal entity under public law with exception of local authorities;
- c. companies;
- d. sole proprietorships.

Art. 102 Strafbarkeit

<sup>1</sup> Wird in einem Unternehmen in Ausübung geschäftlicher Verrichtung im Rahmen des Unternehmenszwecks ein Verbrechen oder Vergehen begangen und kann diese Tat wegen mangelhafter Organisation des Unternehmens keiner bestimmten natürlichen Person zugerechnet werden, so wird das Verbrechen oder Vergehen dem Unternehmen zugerechnet. In diesem Fall wird das Unternehmen mit Busse bis zu 5 Millionen Franken bestraft.

(...)

<sup>3</sup> Das Gericht bemisst die Busse insbesondere nach der Schwere der Tat und der Schwere des Organisationsmangels und des angerichteten Schadens sowie nach der wirtschaftlichen Leistungsfähigkeit des Unternehmens.

<sup>4</sup> Als Unternehmen im Sinne dieses Titels gelten:

- a. juristische Personen des Privatrechts;
- b. juristische Personen des öffentlichen Rechts mit Ausnahme der Gebietskörperschaften;
- c. Gesellschaften;
- d. Einzelfirmen.

Art. 102 Punissabilité

<sup>1</sup> Un crime ou un délit qui est commis au sein d'une entreprise dans l'exercice d'activités commerciales conformes à ses buts est imputé à l'entreprise s'il ne peut être imputé à aucune personne physique déterminée en raison du manque d'organisation de l'entreprise. Dans ce cas, l'entreprise est punie d'une amende de cinq millions de francs au plus.

(...)

<sup>3</sup> Le juge fixe l'amende en particulier d'après la gravité de l'infraction, du manque d'organisation et du dommage causé, et d'après la capacité économique de l'entreprise.

<sup>4</sup> Sont des entreprises au sens du présent titre:

- a. les personnes morales de droit privé;

- b. les personnes morales de droit public, à l'exception des corporations territoriales;
- c. les sociétés;
- d. les entreprises en raison individuelle.

Art. 102 Punibilità

<sup>1</sup> Se in un'impresa, nell'esercizio di attività commerciali conformi allo scopo imprenditoriale, è commesso un crimine o un delitto che, per carenza di organizzazione interna, non può essere ascritto a una persona fisica determinata, il crimine o il delitto è ascritto all'impresa. In questo caso l'impresa è punita con la multa fino a cinque milioni di franchi.

(...)

<sup>3</sup> Il giudice determina la multa in particolare in funzione della gravità del reato, della gravità delle lacune organizzative e del danno provocato, nonché della capacità economica dell'impresa.

<sup>4</sup> Sono considerate imprese ai sensi del presente articolo:

- a. le persone giuridiche di diritto privato;
- b. le persone giuridiche di diritto pubblico, eccettuati gli enti territoriali;
- c. le società;
- d. le ditte individuali.

Art. 162

Art. 162 Breach of manufacturing or trade secrecy

Any person who betrays a manufacturing or trade secret that he is under a statutory or contractual duty not to reveal, any person who exploits for himself or another such a betrayal, shall on complaint be liable to a custodial sentence not exceeding three years or to a monetary penalty.

Art. 162 Verletzung des Fabrikations- oder Geschäftsgeheimnisses

Wer ein Fabrikations- oder Geschäftsgeheimnis, das er infolge einer gesetzlichen oder vertraglichen Pflicht bewahren sollte, verrät, wer den Verrat für sich oder einen andern ausnützt, wird, auf Antrag, mit Freiheitsstrafe bis zu drei Jahren oder Geldstrafe bestraft.

Art. 162 Violation du secret de fabrication ou du secret commercial

Celui qui aura révélé un secret de fabrication ou un secret commercial qu'il était tenu de garder en vertu d'une obligation légale ou contractuelle, celui qui aura utilisé cette révélation à son profit ou à celui d'un tiers, sera, sur plainte, puni d'une peine privative de liberté de trois ans au plus ou d'une peine pécuniaire.

Art. 162 Violazione del segreto di fabbrica o commerciale

Chiunque rivela un segreto di fabbrica o commerciale, che aveva per legge o per contratto l'obbligo di custodire, chiunque trae profitto per sé o per altri da questa rivelazione, è punito, a querela di parte, con una pena detentiva sino a tre anni o con una pena pecuniaria.

Art. 273

Art. 273 - Industrial espionage

Any person who obtains a manufacturing or trade secret in order to make it available to an external official agency, a foreign organisation, a private enterprise, or the agents of any of these, or, any person who makes a manufacturing or trade secret available to an external official agency, a foreign organisation, a private enterprise, or the agents of any of these,

shall be liable to a custodial sentence not exceeding three years or to a monetary penalty, or in serious cases to a custodial sentence of not less than one year. Any custodial sentence may be combined with a monetary penalty.

Art. 273 – Wirtschaftlicher Nachrichtendienst

Wer ein Fabrikations- oder Geschäftsgeheimnis auskundschaftet, um es einer fremden amtlichen Stelle oder einer ausländischen Organisation oder privaten Unternehmung oder ihren Agenten zugänglich zu machen, wer ein Fabrikations- oder Geschäftsgeheimnis einer fremden amtlichen Stelle oder einer ausländischen Organisation oder privaten Unternehmung oder ihren Agenten zugänglich macht, wird mit Freiheitsstrafe bis zu drei Jahren oder Geldstrafe, in schweren Fällen mit Freiheitsstrafe nicht unter einem Jahr bestraft. Mit der Freiheitsstrafe kann Geldstrafe verbunden werden.

Art. 273 - Service de renseignements économiques

Celui qui aura cherché à découvrir un secret de fabrication ou d'affaires pour le rendre accessible à un organisme officiel ou privé étranger, ou à une entreprise privée étrangère, ou à leurs agents, celui qui aura rendu accessible un secret de fabrication ou d'affaires à un organisme officiel ou privé étranger, ou à une entreprise privée étrangère, ou à leurs agents, sera puni d'une peine privative de liberté de trois ans au plus ou d'une peine pécuniaire ou, dans les cas graves, d'une peine privative de liberté d'un an au moins. En cas de peine privative de liberté, une peine pécuniaire peut également être prononcée.

Art. 273 - Spionaggio economico

Chiunque cerca di scoprire un segreto di fabbricazione o di affari per renderlo accessibile ad un organismo ufficiale o privato dell'estero, ovvero ad un'impresa od organizzazione privata estera, o ai loro agenti, chiunque rende accessibile un segreto di fabbricazione o di affari ad un organismo ufficiale o privato dell'estero, ovvero ad una impresa od organizzazione privata estera, o ai loro agenti, è punito con una pena detentiva sino a tre anni o con una pena pecuniaria o, nei casi gravi, con una pena detentiva non inferiore ad un anno. Con la pena detentiva può essere cumulata una pena pecuniaria.

*Art. 321*

Art. 321 - Breach of professional confidentiality

<sup>1</sup> Any person who in his capacity as a member of the clergy, lawyer, defence lawyer, notary, patent attorney, auditor subject to a duty of confidentiality under the Code of Obligations, doctor, dentist, pharmacist, midwife or as an auxiliary to any of the foregoing persons discloses confidential information that has been confided to him in his professional capacity or which has come to his knowledge in the practice of his profession shall be liable to a custodial sentence not exceeding three years or to a monetary penalty.

A student who discloses confidential information that has come to his knowledge in the course of his studies is also liable to the foregoing penalties.

A breach of professional confidentiality remains an offence following the termination of professional employment or of the studies.

<sup>2</sup> No offence is committed if the person disclosing the information does so with the consent of the person to whom the information pertains or on the

basis of written authorisation issued in response to his application by a superior authority or supervisory authority.

<sup>3</sup> The federal and cantonal provisions on the duty to testify and on the obligation to provide information to an authority are reserved.

#### Art. 321 Verletzung des Berufsgeheimnisses

<sup>1</sup> Geistliche, Rechtsanwälte, Verteidiger, Notare, Patentanwälte, nach Obligationenrecht zur Verschwiegenheit verpflichtete Revisoren, Ärzte, Zahnärzte, Apotheker, Hebammen sowie ihre Hilfspersonen, die ein Geheimnis offenbaren, das ihnen infolge ihres Berufes anvertraut worden ist oder das sie in dessen Ausübung wahrgenommen haben, werden, auf Antrag, mit Freiheitsstrafe bis zu drei Jahren oder Geldstrafe bestraft.

Ebenso werden Studierende bestraft, die ein Geheimnis offenbaren, das sie bei ihrem Studium wahrnehmen.

Die Verletzung des Berufsgeheimnisses ist auch nach Beendigung der Berufsausübung oder der Studien strafbar.

<sup>2</sup> Der Täter ist nicht strafbar, wenn er das Geheimnis auf Grund einer Einwilligung des Berechtigten oder einer auf Gesuch des Täters erteilten schriftlichen Bewilligung der vorgesetzten Behörde oder Aufsichtsbehörde offenbart hat.

<sup>3</sup> Vorbehalten bleiben die eidgenössischen und kantonalen Bestimmungen über die Zeugnispflicht und über die Auskunftspflicht gegenüber einer Behörde.

#### Art. 321 Violation du secret professionnel

<sup>1</sup> Les ecclésiastiques, avocats, défenseurs en justice, notaires, conseils en brevets, contrôleurs astreints au secret professionnel en vertu du code des obligations<sup>1</sup>, médecins, dentistes, pharmaciens, sages-femmes, ainsi que leurs auxiliaires, qui auront révélé un secret à eux confié en vertu de leur profession ou dont ils avaient eu connaissance dans l'exercice de celle-ci, seront, sur plainte, punis d'une peine privative de liberté de trois ans au plus ou d'une peine pécuniaire.

Seront punis de la même peine les étudiants qui auront révélé un secret dont ils avaient eu connaissance à l'occasion de leurs études.

La révélation demeure punissable alors même que le détenteur du secret n'exerce plus sa profession ou qu'il a achevé ses études.

<sup>2</sup> La révélation ne sera pas punissable si elle a été faite avec le consentement de l'intéressé ou si, sur la proposition du détenteur du secret, l'autorité supérieure ou l'autorité de surveillance l'a autorisée par écrit.

<sup>3</sup> Demeurent réservées les dispositions de la législation fédérale et cantonale statuant une obligation de renseigner une autorité ou de témoigner en justice.

#### Art. 321 - Violazione del segreto professionale

<sup>1</sup> Gli ecclesiastici, gli avvocati, i difensori, i notai, i consulenti in brevetti, i revisori tenuti al segreto professionale in virtù del Codice delle obbligazioni<sup>1</sup>, i medici, i dentisti, i farmacisti, le levatrici, come pure gli ausiliari di questi professionisti, che rivelano segreti a loro confidati per ragione della loro professione o di cui hanno avuto notizia nell'esercizio della medesima sono puniti, a querela di parte, con una pena detentiva sino a tre anni o con una pena pecuniaria.

Sono parimente puniti gli studenti che rivelano un segreto di cui hanno avuto notizia nel corso dei loro studi.

La rivelazione del segreto è punibile anche dopo la cessazione dell'esercizio della professione o dopo la fine degli studi.



<sup>2</sup> La rivelazione non è punibile, quando sia fatta col consenso dell'interessato o con l'autorizzazione scritta data, a richiesta di chi detiene il segreto, dall'autorità superiore o dall'autorità di vigilanza.

<sup>3</sup> Rimangono riservate le disposizioni della legislazione federale e cantonale sull'obbligo di dare informazioni all'autorità o di testimoniare in giudizio.

STRAFPROZESSORDNUNG (SR 312.0)

Code de procédure pénale  
Codice di diritto processuale penale  
Criminal Procedure Code

*Art. 102*

Art. 102 Procedure relating to applications to inspect case documents

<sup>1</sup> The director of proceedings decides on whether case documents may be inspected. He or she shall take the measures required to prevent abuses and delays and to protect legitimate interests in confidentiality.

<sup>2</sup> The case documents must be inspected at the offices of the relevant criminal justice authority or those of another criminal justice authority in mutual assistance proceedings. Normally they shall be delivered to other authorities or the legal agents for the parties.

Art. 102 Vorgehen bei Begehren um Akteneinsicht

<sup>1</sup> Die Verfahrensleitung entscheidet über die Akteneinsicht. Sie trifft die erforderlichen Massnahmen, um Missbräuche und Verzögerungen zu verhindern und berechnigte Geheimhaltungsinteressen zu schützen.

<sup>2</sup> Die Akten sind am Sitz der betreffenden Strafbehörde oder rechtshilfweise bei einer andern Strafbehörde einzusehen. Anderen Behörden sowie den Rechtsbeiständen der Parteien werden sie in der Regel zugestellt.

<sup>3</sup> Wer zur Einsicht berechnigt ist, kann gegen Entrichtung einer Gebühr die Anfertigung von Kopien der Akten verlangen.

Art. 102 Modalités applicables en cas de demande de consultation des dossiers

<sup>1</sup> La direction de la procédure statue sur la consultation des dossiers. Elle prend les mesures nécessaires pour prévenir les abus et les retards et pour protéger les intérêts légitimes au maintien du secret.

<sup>2</sup> Les dossiers sont consultés au siège de l'autorité pénale concernée ou, par voie d'entraide judiciaire, au siège d'une autre autorité pénale. En règle générale, ils sont remis à d'autres autorités ainsi qu'aux conseils juridiques des parties.

<sup>3</sup> Toute personne autorisée à consulter le dossier peut en demander une copie contre versement d'un émolument.

Art. 102 Procedura in caso di domanda d'esame degli atti

<sup>1</sup> In merito all'esame degli atti decide chi dirige il procedimento. Questi adotta le misure necessarie per evitare abusi e ritardi e per tutelare i legittimi interessi al mantenimento del segreto.

<sup>2</sup> Gli atti si esaminano presso la sede dell'autorità penale interessata oppure, mediante assistenza giudiziaria, presso un'altra autorità penale. Alle altre autorità e ai patrocinatori delle parti, gli atti vengono di norma recapitati.

<sup>3</sup> Chi ha diritto di esaminare gli atti può chiedere che gliene siano allestite copie contro il versamento di un emolumento.

<sup>3</sup> Any person who is entitled to inspect case documents may request copies thereof for a fee.

*Art. 108*

Art. 108 Einschränkungen des rechtlichen Gehörs

- <sup>1</sup> Die Strafbehörden können das rechtliche Gehör einschränken, wenn:
- a. der begründete Verdacht besteht, dass eine Partei ihre Rechte missbraucht;
  - b. dies für die Sicherheit von Personen oder zur Wahrung öffentlicher oder privater Geheimhaltungsinteressen erforderlich ist.
- <sup>2</sup> Einschränkungen gegenüber Rechtsbeiständen sind nur zulässig, wenn der Rechtsbeistand selbst Anlass für die Beschränkung gibt.
- <sup>3</sup> Die Einschränkungen sind zu befristen oder auf einzelne Verfahrenshandlungen zu begrenzen.
- <sup>4</sup> Besteht der Grund für die Einschränkung fort, so dürfen die Strafbehörden Entscheide nur so weit auf Akten, die einer Partei nicht eröffnet worden sind, stützen, als ihr von deren wesentlichem Inhalt Kenntnis gegeben wurde.
- <sup>5</sup> Ist der Grund für die Einschränkung weggefallen, so ist das rechtliche Gehör in geeigneter Form nachträglich zu gewähren.

#### Art. 108 Restriction du droit d'être entendu

- <sup>1</sup> Les autorités pénales peuvent restreindre le droit d'une partie à être entendue:
- a. lorsqu'il y a de bonnes raisons de soupçonner que cette partie abuse de ses droits;
  - b. lorsque cela est nécessaire pour assurer la sécurité de personnes ou pour protéger des intérêts publics ou privés au maintien du secret.
- <sup>2</sup> Le conseil juridique d'une partie ne peut faire l'objet de restrictions que du fait de son comportement.
- <sup>3</sup> Les restrictions sont limitées temporairement ou à des actes de procédure déterminés.
- <sup>4</sup> Tant que le motif qui a justifié la restriction subsiste, les autorités pénales ne peuvent fonder leurs décisions sur des pièces auxquelles une partie n'a pas eu accès que si celle-ci a été informée de leur contenu essentiel.
- <sup>5</sup> Lorsque le motif qui a justifié la restriction disparaît, le droit d'être entendu doit être accordé sous une forme adéquate.

#### Art. 108 Restrizioni del diritto di essere sentiti

- <sup>1</sup> Le autorità penali possono sottoporre a restrizioni il diritto di essere sentiti se:
- a. vi è il sospetto fondato che una parte abusi dei suoi diritti;
  - b. la restrizione è necessaria per garantire la sicurezza di persone oppure per tutelare interessi pubblici o privati al mantenimento del segreto.
- <sup>2</sup> Restrizioni nei confronti dei patrocinatori sono ammesse soltanto se il patrocinatore stesso ne dà motivo.
- <sup>3</sup> Le restrizioni vanno limitate nel tempo oppure circoscritte a singoli atti procedurali.
- <sup>4</sup> Se il motivo della restrizione persiste, le autorità penali possono fondare le loro decisioni anche su atti a cui una parte non ha avuto accesso, ma soltanto nella misura in cui detta parte sia stata informata del contenuto essenziale degli atti medesimi.
- <sup>5</sup> Se il motivo della restrizione viene meno, il diritto di essere sentiti va accordato a posteriori in forma adeguata.

#### Art. 108 Restriction of the right to be heard

- <sup>1</sup> The criminal justice authorities may restrict the right to be heard if:
- a. there is justified suspicion that a party is abusing his or her rights;
  - b. this is required for the safety of persons or to safeguard public or private interests in preserving confidentiality.
- <sup>2</sup> Restrictions in relation to legal agents are only permitted if the legal agent gives personal cause for imposing a restriction.
- <sup>3</sup> Restrictions must be limited in time or to individual procedural acts.

<sup>4</sup> If the reason for imposing the restriction continues to apply, the criminal justice authorities may base their decisions on files that have not been disclosed to a party only if that party has been informed of the essential content thereof.

<sup>5</sup> If the reason for the restriction has ceased to apply, the right to be heard must be granted in a suitable form retrospectively.

VERWALTUNGSVERFAHRENSGESETZ (SR 172.021)

Loi sur la procédure administrative  
Legge sulla procedura amministrativa  
Federal Act on Administrative Proceedings

Art. 27

Art. 27 Ausnahmen

<sup>1</sup> Die Behörde darf die Einsichtnahme in die Akten nur verweigern, wenn:

- a. wesentliche öffentliche Interessen des Bundes oder der Kantone, insbesondere die innere oder äussere Sicherheit der Eidgenossenschaft, die Geheimhaltung erfordern;
- b. wesentliche private Interessen, insbesondere von Gegenparteien, die Geheimhaltung erfordern;
- c. das Interesse einer noch nicht abgeschlossenen amtlichen Untersuchung es erfordert.

<sup>2</sup> Die Verweigerung der Einsichtnahme darf sich nur auf die Aktenstücke erstrecken, für die Geheimhaltungsgründe bestehen.

<sup>3</sup> Die Einsichtnahme in eigene Eingaben der Partei, ihre als Beweismittel eingereichten Urkunden und ihr eröffnete Verfügungen darf nicht, die Einsichtnahme in Protokolle über eigene Aussagen der Partei nur bis zum Abschluss der Untersuchung verweigert werden.

Art. 27 Exceptions

<sup>1</sup> L'autorité ne peut refuser la consultation des pièces que si:

- a. des intérêts publics importants de la Confédération ou des cantons, en particulier la sécurité intérieure ou extérieure de la Confédération, exigent que le secret soit gardé;
- b. des intérêts privés importants, en particulier ceux de parties adverses, exigent que le secret soit gardé;
- c. l'intérêt d'une enquête officielle non encore close l'exige.

<sup>2</sup> Le refus d'autoriser la consultation des pièces ne peut s'étendre qu'à celles qu'il y a lieu de garder secrètes.

<sup>3</sup> La consultation par la partie de ses propres mémoires, des documents qu'elle a produits comme moyens de preuves et des décisions qui lui ont été notifiées ne peut pas lui être refusée. La consultation des procès-verbaux relatifs aux déclarations qu'elle a faites ne peut lui être refusée que jusqu'à la clôture de l'enquête.

Art. 27 Eccezioni

<sup>1</sup> L'autorità può negare l'esame degli atti solamente se:

- a. un interesse pubblico importante della Confederazione o del Cantone, in particolare la sicurezza interna o esterna della Confederazione, esiga l'osservanza del segreto;
- b. un interesse privato importante, in particolare d'una controparte, esiga l'osservanza del segreto;
- c. l'interesse di un'inchiesta ufficiale in corso lo esiga.

<sup>2</sup> Il diniego d'esame dev'essere ristretto agli atti soggetti a segreto.

<sup>3</sup> A una parte non può essere negato l'esame delle sue memorie, dei documenti da essa prodotti come mezzi di prova e delle decisioni notificategli; l'esame dei processi verbali delle sue dichiarazioni le può essere negato soltanto fino alla chiusura dell'inchiesta.

## UNLAUTERER WETTBEWERB (SR 241)

Concurrence déloyale  
Concorrenza sleale  
Unfair Competition Act

### Art. 2

#### Art. 2 Grundsatz

Unlauter und widerrechtlich ist jedes täuschende oder in anderer Weise gegen den Grundsatz von Treu und Glauben verstossende Verhalten oder Geschäftsgebaren, welches das Verhältnis zwischen Mitbewerbern oder zwischen Anbietern und Abnehmern beeinflusst.

#### Art. 2 Principe

Est déloyal et illicite tout comportement ou pratique commercial qui est trompeur ou qui contrevient de toute autre manière aux règles de la bonne foi et qui influe sur les rapports entre concurrents ou entre fournisseurs et clients.

#### Art. 2 Principio

È sleale e illecito qualsiasi comportamento o pratica d'affari ingannevole, o altrimenti lesivo delle norme della buona fede, che influisce sui rapporti tra concorrenti o tra fornitori e clienti.

#### Art. 2 Principle Rule (unofficial translation of the Swiss Chamber of Commerce)

Any conduct or business practice which is deceptive or in another manner violates the principle of good faith dealing, and which affects the relationship between competitors or between sellers and purchasers, is unfair and illegal.

### Art. 4

#### Art. 4 Verleitung zu Vertragsverletzung oder -auflösung

Unlauter handelt insbesondere, wer:

- a. Abnehmer zum Vertragsbruch verleitet, um selber mit ihnen einen Vertrag abzuschliessen zu können;
- b. ...
- c. Arbeitnehmer, Beauftragte oder andere Hilfspersonen zum Verrat oder zur Auskundschaftung von Fabrikations- oder Geschäftsgeheimnissen ihres Arbeitgebers oder Auftraggebers verleitet;
- d. einen Käufer oder Kreditnehmer, der einen Vorauszahlungskauf oder einen Konsumkreditvertrag abgeschlossen hat, veranlasst, den Vertrag zu widerrufen, oder wer einen Käufer, der einen Vorauszahlungskauf abgeschlossen hat, veranlasst, diesen zu kündigen, um selber mit ihm einen solchen Vertrag abzuschliessen.

#### Art. 4 Incitation à violer ou à résilier un contrat

Agit de façon déloyale celui qui, notamment:

- a. incite un client à rompre un contrat en vue d'en conclure un autre avec lui;
- b. ...
- c. incite des travailleurs, mandataires ou auxiliaires à trahir ou à surprendre des secrets de fabrication ou d'affaires de leur employeur ou mandant;
- d. incite un acheteur ou un preneur qui a conclu une vente avec paiements préalables ou un contrat de crédit à la consommation à révoquer ce contrat,

ou un acheteur qui a conclu une vente avec paiements préalables à dénoncer celle-ci, pour conclure de son côté un tel contrat avec lui.

Art. 4 Incitamento a violare o a rescindere un contratto

Agisce in modo sleale, segnatamente, chiunque:

- a. incita il cliente a rescindere un contratto per stipularne uno con lui;
- b. ...
- c. induce lavoratori, mandatari o altri ausiliari a rivelare o a spiare segreti di fabbrica o d'affari del loro datore di lavoro o del loro mandante;
- d. incita il compratore o creditato che ha concluso una vendita a rate anticipate o un contratto di credito al consumo, a revocare il contratto oppure il compratore che ha concluso una vendita a rate anticipate, a disdirla, per stipulare il contratto con lui.

Art. 4 Inducement to breach or rescind of Contract (unofficial translation of the Swiss Chamber of Commerce)

Acting unfairly is, in particular, whoever:

- a. induces consumers to breach a contract in order to be able to conclude a contract with them himself;
- b. induces employees, agents or other auxiliary persons to disclose or search out industrial or trade secrets of their employers or principals;
- c. causes a purchaser or borrower, who entered into an instalment sale, a sale with payments in advance or a consumer loan, to rescind the contract, or who causes a purchaser to terminate a sale with payments in advance, in order to conclude such a contract with that purchaser or borrower himself.

#### Art. 5

Art. 5 Verwertung fremder Leistung

Unlauter handelt insbesondere, wer:

- a. ein ihm anvertrautes Arbeitsergebnis wie Offerten, Berechnungen oder Pläne unbefugt verwertet;
- b. ein Arbeitsergebnis eines Dritten wie Offerten, Berechnungen oder Pläne verwertet, obwohl er wissen muss, dass es ihm unbefugterweise überlassen oder zugänglich gemacht worden ist;
- c. das marktreife Arbeitsergebnis eines andern ohne angemessenen eigenen Aufwand durch technische Reproduktionsverfahren als solches übernimmt und verwertet.

Art. 5 Exploitation d'une prestation d'autrui

Agit de façon déloyale celui qui, notamment:

- a. exploite de façon indue le résultat d'un travail qui lui a été confié, par exemple des offres, des calculs ou des plans;
- b. exploite le résultat du travail d'un tiers, par exemple des offres, des calculs ou des plans, bien qu'il sache que ce résultat lui a été remis ou rendu accessible de façon indue;
- c. reprend grâce à des procédés techniques de reproduction et sans sacrifice correspondant le résultat de travail d'un tiers prêt à être mis sur le marché et l'exploite comme tel.

Art. 5 Sfruttamento di una prestazione d'altri

Agisce in modo sleale, segnatamente, chiunque:

- a. sfrutta, senza esserne autorizzato, il risultato affidatogli di un lavoro, per esempio offerte, calcoli o piani;

- b. sfrutta il risultato del lavoro di un terzo, per esempio offerte, calcoli o piani, benché sappia che gli è stato affidato o reso accessibile senza esserne autorizzati;
- c. riprende come tale, con mezzi tecnici di riproduzione, senza prestazione personale appropriata, e sfrutta il risultato del lavoro di un terzo, pronto a essere immesso sul mercato.

Art. 5 Exploitation of the work of third parties (unofficial translation of the Swiss Chamber of Commerce)

Acting unfairly is, in particular, whoever:

- a. exploits, without authorization, work product entrusted to him, such as bids, calculations and blueprints;
- b. exploits the work product of a third party such as bids, calculations and blueprints, although he should know that such work product was provided or made available to him without authorization;
- c. appropriates and exploits, by the use of technical reproduction procedures, the work product of another which is ready to be marketed and who does so without making an appropriate effort himself.

#### Art. 6

Art. 6 Verletzung von Fabrikations- und Geschäftsgeheimnissen  
Unlauter handelt insbesondere, wer Fabrikations- oder Geschäftsgeheimnisse, die er ausgekundschaftet oder sonst wie unrechtmässig erfahren hat, verwertet oder andern mitteilt.

Art. 6 Violation des secrets de fabrication ou d'affaires  
Agit de façon déloyale celui qui, notamment, exploite ou divulgue des secrets de fabrication ou d'affaires qu'il a surpris ou dont il a eu indûment connaissance d'une autre manière.

Art. 6 Violazione di segreti di fabbrica e di affari  
Agisce in modo sleale, segnatamente, chiunque sfrutta o comunica ad altri segreti di fabbrica o di affari che ha spiato o di cui è venuto a conoscenza in altro modo illecito.

Art. 6 Violation of industrial and trade secrets (unofficial translation of the Swiss Chamber of Commerce)  
Acting unfairly is, in particular, whoever exploits or discloses to third parties industrial or trade secrets, which he has searched out or learned about in any unlawful matter.

#### Art. 23

Art. 23 Unlauterer Wettbewerb  
<sup>1</sup> Wer vorsätzlich unlauteren Wettbewerb nach Artikel 3, 4, 4a, 5 oder 6 begeht, wird auf Antrag mit Freiheitsstrafe bis zu drei Jahren oder Geldstrafe bestraft.  
2 Strafantrag stellen kann, wer nach den Artikeln 9 und 10 zur Zivilklage berechtigt ist.

Art. 23 Concurrence déloyale



<sup>1</sup> Quiconque, intentionnellement, se rend coupable de concurrence déloyale au sens des art. 3, 4, 4a, 5 ou 6 est, sur plainte, puni d'une peine privative de liberté de trois ans au plus ou d'une peine pécuniaire.

<sup>2</sup> Peut porter plainte celui qui a qualité pour intenter une action civile selon les art. 9 et 10.

#### Art. 23 Concorrenza sleale

<sup>1</sup> Chiunque, intenzionalmente, si rende colpevole di concorrenza sleale ai sensi degli articoli 3, 4, 4a, 5 o 6 è punito, a querela di parte, con una pena detentiva sino a tre anni o con una pena pecuniaria.

<sup>2</sup> Può sporgere querela chiunque è legittimato all'azione civile secondo gli articoli 9 e 10.

#### Art. 23 Unfair Competition (unofficial translation of the Swiss Chamber of Commerce)

<sup>1</sup> Anyone who intentionally commits an act of unfair competition as defined in Art. 3, 4, 5 or 6, shall upon petition, be punished with imprisonment of up to three years or a fine.

<sup>2</sup> Anyone who is entitled to file a civil action under Art. 9 and 10 may petition for criminal prosecution.

## DATENSCHUTZGESETZ (SR 235.1)

Loi sur la protection des données  
Legge sulla protezione dei dati  
Federal Act on Data Protection

### Art. 3

#### Art. 3 Begriffe

Die folgenden Ausdrücke bedeuten:

- a. *Personendaten (Daten)*: alle Angaben, die sich auf eine bestimmte oder bestimmbare Person beziehen;
- b. *betroffene Personen*: natürliche oder juristische Personen, über die Daten bearbeitet werden;
- c. *besonders schützenswerte Personendaten*: Daten über:
  1. die religiösen, weltanschaulichen, politischen oder gewerkschaftlichen Ansichten oder Tätigkeiten,
  2. die Gesundheit, die Intimsphäre oder die Rassenzugehörigkeit,
  3. Massnahmen der sozialen Hilfe,
  4. administrative oder strafrechtliche Verfolgungen und Sanktionen;
- d. *Persönlichkeitsprofil*: eine Zusammenstellung von Daten, die eine Beurteilung wesentlicher Aspekte der Persönlichkeit einer natürlichen Person erlaubt;
- e. *Bearbeiten*: jeder Umgang mit Personendaten, unabhängig von den angewandten Mitteln und Verfahren, insbesondere das Beschaffen, Aufbewahren, Verwenden, Umarbeiten, Bekanntgeben, Archivieren oder Vernichten von Daten;
- f. *Bekanntgeben*: das Zugänglichmachen von Personendaten wie das Einsichtgewähren, Weitergeben oder Veröffentlichen;
- g. *Datensammlung*: jeder Bestand von Personendaten, der so aufgebaut ist, dass die Daten nach betroffenen Personen erschliessbar sind;
- h. *Bundesorgane*: Behörden und Dienststellen des Bundes sowie Personen, soweit sie mit öffentlichen Aufgaben des Bundes betraut sind;
- i. *Inhaber der Datensammlung*: private Personen oder Bundesorgane, die über den Zweck und den Inhalt der Datensammlung entscheiden;
- j. *Gesetz im formellen Sinn*:
  1. Bundesgesetze,
  2. für die Schweiz verbindliche Beschlüsse internationaler Organisationen und von der Bundesversammlung genehmigte völkerrechtliche Verträge mit rechtsetzendem Inhalt;
- k. (...)

#### Art. 3 Définitions

On entend par:

- a. données personnelles (données), toutes les informations qui se rapportent à une personne identifiée ou identifiable;
- b. personne concernée, la personne physique ou morale au sujet de laquelle des données sont traitées;
- c. données sensibles, les données personnelles sur:
  - <sup>1</sup> les opinions ou activités religieuses, philosophiques, politiques ou syndicales,
  - <sup>2</sup> la santé, la sphère intime ou l'appartenance à une race,
  - <sup>3</sup> des mesures d'aide sociale,
  - <sup>4</sup> des poursuites ou sanctions pénales et administratives;
- d. profil de la personnalité, un assemblage de données qui permet d'apprécier les caractéristiques essentielles de la personnalité d'une personne physique;

- e. traitement, toute opération relative à des données personnelles – quels que soient les moyens et procédés utilisés – notamment la collecte, la conservation, l’exploitation, la modification, la communication, l’archivage ou la destruction de données;
- f. communication, le fait de rendre des données personnelles accessibles, par exemple en autorisant leur consultation, en les transmettant ou en les diffusant;
- g. fichier, tout ensemble de données personnelles dont la structure permet de rechercher les données par personne concernée;
- h. organe fédéral, l’autorité ou le service fédéral ainsi que la personne en tant qu’elle est chargée d’une tâche de la Confédération;
- i. maître du fichier, la personne privée ou l’organe fédéral qui décide du but et du contenu du fichier;
- j. loi au sens formel:
  - <sup>1</sup> lois fédérales
  - <sup>2</sup> résolutions d’organisations internationales contraignantes pour la Suisse et traités de droit international approuvés par l’Assemblée fédérale et comportant des règles de droit.
- k. (...)

Art. 3 Definizioni

I seguenti termini significano:

- a. dati personali (dati)<sup>1</sup>: tutte le informazioni relative a una persona identificata o identificabile;
- b. persone interessate: persone fisiche o giuridiche i cui dati sono oggetto di trattamento;
- c. dati personali degni di particolare protezione: i dati concernenti:
  - <sup>1</sup> le opinioni o attività religiose, filosofiche, politiche o sindacali,
  - <sup>2</sup> la salute, la sfera intima o l’appartenenza a una razza,
  - <sup>3</sup> le misure d’assistenza sociale,
  - <sup>4</sup> i procedimenti o le sanzioni amministrativi e penali;
- d. profilo della personalità: una compilazione di dati che permette di valutare caratteristiche essenziali della personalità di una persona fisica;
- e. trattamento: qualsiasi operazione relativa a dati, indipendentemente dai mezzi e dalle procedure impiegati, segnatamente la raccolta, la conservazione, l’utilizzazione, la modifica, la comunicazione, l’archiviazione o la distruzione di dati;
- f. comunicazione: il fatto di rendere accessibili i dati, ad esempio l’autorizzazione della consultazione, la trasmissione o la diffusione;
- g. collezione di dati: ogni complesso di dati personali la cui struttura permette di ricercare i dati secondo le persone interessate;
- h. organi federali: autorità e servizi della Confederazione, come pure persone nella misura in cui sono loro affidati compiti federali;
- i. i. detentore di una collezione di dati: la persona privata o l’organo federale che decide in merito allo scopo e al contenuto della collezione di dati;
- j. legge in senso formale:
  - <sup>1</sup> leggi federali,
  - <sup>2</sup> decisioni vincolanti per la Svizzera di organizzazioni internazionali e accordi internazionali con contenuto normativo approvati dall’Assemblea federale.
- k. (...)

Art. 3 Definitions

The following definitions apply:

- a. personal data (data): all information relating to an identified or identifiable person;

- b. data subjects: natural or legal persons whose data is processed;
- c. sensitive personal data: data on:
  - <sup>1</sup> religious, ideological, political or trade union-related views or activities,
  - <sup>2</sup> health, the intimate sphere or the racial origin,
  - <sup>3</sup> social security measures,
  - <sup>4</sup> administrative or criminal proceedings and sanctions;
- d. personality profile: a collection of data that permits an assessment of essential characteristics of the personality of a natural person;
- e. processing: any operation with personal data, irrespective of the means applied and the procedure, and in particular the collection, storage, use, revision, disclosure, archiving or destruction of data;
- f. disclosure: making personal data accessible, for example by permitting access, transmission or publication;
- g. data file: any set of personal data that is structured in such a way that the data is accessible by data subject;
- h. federal bodies: federal authorities and services as well as persons who are entrusted with federal public tasks;
- i.4 controller of the data file: private persons or federal bodies that decide on the purpose and content of a data file;
- j.5 formal enactment:
  - <sup>1</sup> federal acts,
  - <sup>2</sup> decrees of international organisations that are binding on Switzerland and international treaties containing legal rules that are approved by the Federal Assembly;
- k. (...)

#### Art. 4

##### Art. 4 Grundsätze

- <sup>1</sup> Personendaten dürfen nur rechtmässig bearbeitet werden.
- <sup>2</sup> Ihre Bearbeitung hat nach Treu und Glauben zu erfolgen und muss verhältnismässig sein.
- <sup>3</sup> Personendaten dürfen nur zu dem Zweck bearbeitet werden, der bei der Beschaffung angegeben wurde, aus den Umständen ersichtlich oder gesetzlich vorgesehen ist.
- <sup>4</sup> Die Beschaffung von Personendaten und insbesondere der Zweck ihrer Bearbeitung müssen für die betroffene Person erkennbar sein.
- <sup>5</sup> Ist für die Bearbeitung von Personendaten die Einwilligung der betroffenen Person erforderlich, so ist diese Einwilligung erst gültig, wenn sie nach angemessener Information freiwillig erfolgt. Bei der Bearbeitung von besonders schützenswerten Personendaten oder Persönlichkeitsprofilen muss die Einwilligung zudem ausdrücklich erfolgen.

##### Art. 4 Principes

- <sup>1</sup> Tout traitement de données doit être licite.
- <sup>2</sup> Leur traitement doit être effectué conformément aux principes de la bonne foi et de la proportionnalité.
- <sup>3</sup> Les données personnelles ne doivent être traitées que dans le but qui est indiqué lors de leur collecte, qui est prévu par une loi ou qui ressort des circonstances.
- <sup>4</sup> La collecte de données personnelles, et en particulier les finalités du traitement, doivent être reconnaissables pour la personne concernée.
- <sup>5</sup> Lorsque son consentement est requis pour justifier le traitement de données personnelles la concernant, la personne concernée ne consent valablement que si elle exprime sa volonté librement et après avoir été

dûment informée. Lorsqu'il s'agit de données sensibles et de profils de la personnalité, son consentement doit être au surplus explicite.

#### Art. 4 Principi

<sup>1</sup> I dati personali possono essere trattati soltanto in modo lecito.

<sup>2</sup> Il trattamento dei dati deve essere conforme al principio della buona fede e della proporzionalità.

<sup>3</sup> I dati possono essere trattati soltanto per lo scopo indicato all'atto della loro raccolta, risultante dalle circostanze o previsto da una legge.

<sup>4</sup> La raccolta di dati personali e in particolare le finalità del trattamento devono essere riconoscibili da parte della persona interessata.

<sup>5</sup> Quando il trattamento di dati personali è subordinato al consenso della persona interessata, il consenso è valido soltanto se espresso liberamente e dopo debita informazione. Trattandosi di dati personali degni di particolare protezione o di profili della personalità, il consenso deve essere anche esplicito.

#### Art. 4 Principles

<sup>1</sup> Personal data may only be processed lawfully.

<sup>2</sup> Its processing must be carried out in good faith and must be proportionate.

<sup>3</sup> Personal data may only be processed for the purpose indicated at the time of collection, that is evident from the circumstances, or that is provided for by law.

<sup>4</sup> The collection of personal data and in particular the purpose of its processing must be evident to the data subject.

<sup>5</sup> If the consent of the data subject is required for the processing of personal data, such consent is valid only if given voluntarily on the provision of adequate information. Additionally, consent must be given expressly in the case of processing of sensitive personal data or personality profiles.

#### Art. 6

##### Art. 6 Grenzüberschreitende Bekanntgabe

<sup>1</sup> Personendaten dürfen nicht ins Ausland bekannt gegeben werden, wenn dadurch die Persönlichkeit der betroffenen Personen schwerwiegend gefährdet würde, namentlich weil eine Gesetzgebung fehlt, die einen angemessenen Schutz gewährleistet.

<sup>2</sup> Fehlt eine Gesetzgebung, die einen angemessenen Schutz gewährleistet, so können Personendaten ins Ausland nur bekannt gegeben werden, wenn:

a. hinreichende Garantien, insbesondere durch Vertrag, einen angemessenen Schutz im Ausland gewährleisten;

b. die betroffene Person im Einzelfall eingewilligt hat;

c. die Bearbeitung in unmittelbarem Zusammenhang mit dem Abschluss oder der Abwicklung eines Vertrags steht und es sich um Personendaten des Vertragspartners handelt;

d. die Bekanntgabe im Einzelfall entweder für die Wahrung eines überwiegenden öffentlichen Interesses oder für die Feststellung, Ausübung oder Durchsetzung von Rechtsansprüchen vor Gericht unerlässlich ist;

e. die Bekanntgabe im Einzelfall erforderlich ist, um das Leben oder die körperliche Integrität der betroffenen Person zu schützen;

f. die betroffene Person die Daten allgemein zugänglich gemacht und eine Bearbeitung nicht ausdrücklich untersagt hat;

g. die Bekanntgabe innerhalb derselben juristischen Person oder Gesellschaft oder zwischen juristischen Personen oder Gesellschaften, die einer einheitlichen Leitung unterstehen, stattfindet, sofern die Beteiligten

Datenschutzregeln unterstehen, welche einen angemessenen Schutz gewährleisten.

<sup>3</sup> Der Eidgenössische Datenschutz- und Öffentlichkeitsbeauftragte (Beauftragte, Art. 26) muss über die Garantien nach Absatz 2 Buchstabe a und die Datenschutzregeln nach Absatz 2 Buchstabe g informiert werden. Der Bundesrat regelt die Einzelheiten dieser Informationspflicht.

#### Art. 6 Communication transfrontière de données

<sup>1</sup> Aucune donnée personnelle ne peut être communiquée à l'étranger si la personnalité des personnes concernées devait s'en trouver gravement menacée, notamment du fait de l'absence d'une législation assurant un niveau de protection adéquat.

<sup>2</sup> En dépit de l'absence d'une législation assurant un niveau de protection adéquat à l'étranger, des données personnelles peuvent être communiquées à l'étranger, à l'une des conditions suivantes uniquement:

- a. des garanties suffisantes, notamment contractuelles, permettent d'assurer un niveau de protection adéquat à l'étranger;
- b. la personne concernée a, en l'espèce, donné son consentement;
- c. le traitement est en relation directe avec la conclusion ou l'exécution d'un contrat et les données traitées concernent le cocontractant;
- d. la communication est, en l'espèce, indispensable soit à la sauvegarde d'un intérêt public prépondérant, soit à la constatation, l'exercice ou la défense d'un droit en justice;
- e. la communication est, en l'espèce, nécessaire pour protéger la vie ou l'intégrité corporelle de la personne concernée;
- f. la personne concernée a rendu les données accessibles à tout un chacun et elle ne s'est pas opposée formellement au traitement;
- g. la communication a lieu au sein d'une même personne morale ou société ou entre des personnes morales ou sociétés réunies sous une direction unique, dans la mesure où les parties sont soumises à des règles de protection des données qui garantissent un niveau de protection adéquat.

<sup>3</sup> Le Préposé fédéral à la protection des données et à la transparence (préposé, art. 26) doit être informé des garanties données visées à l'al. 2, let. a, et des règles de protection des données visées à l'al. 2, let. g. Le Conseil fédéral règle les modalités du devoir d'information.

#### Art. 6 Comunicazione di dati all'estero

<sup>1</sup> I dati personali non possono essere comunicati all'estero qualora la personalità della persona interessata possa subirne grave pregiudizio, dovuto in particolare all'assenza di una legislazione che assicuri una protezione adeguata.

<sup>2</sup> Se manca una legislazione che assicuri una protezione adeguata, dati personali possono essere comunicati all'estero soltanto se:

- a. garanzie sufficienti, segnatamente contrattuali, assicurano una protezione adeguata all'estero;
- b. la persona interessata ha dato il suo consenso nel caso specifico;
- c. il trattamento è in relazione diretta con la conclusione o l'esecuzione di un contratto e i dati trattati concernono l'altro contraente;
- d. nel caso specifico la comunicazione è indispensabile per tutelare un interesse pubblico preponderante oppure per accertare, esercitare o far valere un diritto in giustizia;
- e. nel caso specifico la comunicazione è necessaria per proteggere la vita o l'incolumità fisica della persona interessata;
- f. la persona interessata ha reso i dati accessibili a chiunque e non si è opposta formalmente al loro trattamento;
- g. la comunicazione ha luogo all'interno della stessa persona giuridica o società oppure tra persone giuridiche o società sottostanti a una direzione

unica, sempreché emittente e destinatario sottostiano a regole sulla protezione dei dati che assicurano una protezione adeguata.

<sup>3</sup> L'Incaricato federale della protezione dei dati e della trasparenza (art. 26) deve essere informato sulle garanzie date conformemente al capoverso 2 lettera a e sulle regole di protezione dei dati conformemente al capoverso 2 lettera g. Il Consiglio federale regola i dettagli di questo obbligo di informare.

#### Art. 6 Cross-border disclosure

1 Personal data may not be disclosed abroad if the privacy of the data subjects would be seriously endangered thereby, in particular due to the absence of legislation that guarantees adequate protection.

2 In the absence of legislation that guarantees adequate protection, personal data may be disclosed abroad only if:

a. sufficient safeguards, in particular contractual clauses, ensure an adequate level of protection abroad;

b. the data subject has consented in the specific case;

c. the processing is directly connected with the conclusion or the performance of a contract and the personal data is that of a contractual party;

d. disclosure is essential in the specific case in order either to safeguard an overriding public interest or for the establishment, exercise or enforcement of legal claims before the courts;

e. disclosure is required in the specific case in order to protect the life or the physical integrity of the data subject;

f. the data subject has made the data generally accessible and has not expressly prohibited its processing;

g. disclosure is made within the same legal person or company or between legal persons or companies that are under the same management, provided those involved are subject to data protection rules that ensure an adequate level of protection.

3 The Federal Data Protection and Information Commissioner (the Commissioner, Art. 26) must be informed of the safeguards under paragraph 2 letter a and the data protection rules under paragraph 2 letter g. The Federal Council regulates the details of this duty to provide information.

#### Art. 7

##### Art. 7 Datensicherheit

<sup>1</sup> Personendaten müssen durch angemessene technische und organisatorische Massnahmen gegen unbefugtes Bearbeiten geschützt werden.

<sup>2</sup> Der Bundesrat erlässt nähere Bestimmungen über die Mindestanforderungen an die Datensicherheit.

##### Art. 7 Sécurité des données

<sup>1</sup> Les données personnelles doivent être protégées contre tout traitement non autorisé par des mesures organisationnelles et techniques appropriées.

<sup>2</sup> Le Conseil fédéral édicte des dispositions plus détaillées sur les exigences minimales en matière de sécurité des données.

##### Art. 7 Sicurezza dei dati

<sup>1</sup> I dati personali devono essere protetti contro ogni trattamento non autorizzato, mediante provvedimenti tecnici ed organizzativi appropriati.

<sup>2</sup> Il Consiglio federale emana disposizioni più dettagliate circa le esigenze minime in materia di protezione dei dati.

Art. 7 Data security

<sup>1</sup> Personal data must be protected against unauthorised processing through adequate technical and organisational measures.

<sup>2</sup> The Federal Council issues detailed provisions on the minimum standards for data security.

Art. 9

Art. 9 Einschränkung des Auskunftsrechts

<sup>1</sup> Der Inhaber der Datensammlung kann die Auskunft verweigern, einschränken oder aufschieben, soweit:

- a. ein Gesetz im formellen Sinn dies vorsieht;
- b. es wegen überwiegender Interessen Dritter erforderlich ist.

<sup>2</sup> Ein Bundesorgan kann zudem die Auskunft verweigern, einschränken oder aufschieben, soweit:

- a. es wegen überwiegender öffentlicher Interessen, insbesondere der inneren oder äusseren Sicherheit der Eidgenossenschaft, erforderlich ist;
- b. die Auskunft den Zweck einer Strafuntersuchung oder eines andern Untersuchungsverfahrens in Frage stellt.

<sup>3</sup> Sobald der Grund für die Verweigerung, Einschränkung oder Aufschiebung einer Auskunft wegfällt, muss das Bundesorgan die Auskunft erteilen, ausser dies ist unmöglich oder nur mit einem unverhältnismässigen Aufwand möglich.

<sup>4</sup> Der private Inhaber einer Datensammlung kann zudem die Auskunft verweigern, einschränken oder aufschieben, soweit eigene überwiegende Interessen es erfordern und er die Personendaten nicht Dritten bekannt gibt.

<sup>5</sup> Der Inhaber der Datensammlung muss angeben, aus welchem Grund er die Auskunft verweigert, einschränkt oder aufschiebt.

Art. 9 Restriction du droit d'accès

<sup>1</sup> Le maître du fichier peut refuser ou restreindre la communication des renseignements demandés, voire en différer l'octroi, dans la mesure où:

- a. une loi au sens formel le prévoit;
- b. les intérêts prépondérants d'un tiers l'exigent.

<sup>2</sup> Un organe fédéral peut en outre refuser ou restreindre la communication des renseignements demandés, voire en différer l'octroi, dans la mesure où:

- a. un intérêt public prépondérant, en particulier la sûreté intérieure ou extérieure de la Confédération, l'exige;
- b. la communication des renseignements risque de compromettre une instruction pénale ou une autre procédure d'instruction.

<sup>3</sup> Dès que le motif justifiant le refus, la restriction ou l'ajournement disparaît, l'organe fédéral est tenu de communiquer les renseignements demandés, pour autant que cela ne s'avère pas impossible ou ne nécessite pas un travail disproportionné.

<sup>4</sup> Un maître de fichier privé peut en outre refuser ou restreindre la communication des renseignements demandés ou en différer l'octroi, dans la mesure où ses intérêts prépondérants l'exigent et à condition qu'il ne communique pas les données personnelles à un tiers.

<sup>5</sup> Le maître du fichier doit indiquer le motif pour lequel il refuse de fournir, restreint ou ajourne les renseignements.

Art. 9 Restrizione del diritto d'accesso

<sup>1</sup> Il detentore della collezione di dati può rifiutare, limitare o differire la comunicazione delle informazioni, nella misura in cui:

- a. una legge in senso formale lo preveda;
- b. interessi preponderanti di un terzo lo esigano.

<sup>2</sup> Un organo federale può inoltre rifiutare, limitare o differire la comunicazione delle informazioni, nella misura in cui:



- a. un interesse pubblico preponderante, in particolare la sicurezza interna o esterna della Confederazione, lo esiga;
- b. la comunicazione delle informazioni comprometta lo scopo di un'istruzione penale o di un'altra procedura d'inchiesta.

<sup>3</sup> Appena cessano i motivi di rifiuto, limitazione o differimento, l'organo federale deve fornire le informazioni, a meno che ciò sia impossibile, o possibile soltanto con mezzi sproporzionati.

<sup>4</sup> Il detentore privato di una collezione di dati può inoltre rifiutare, limitare o differire la comunicazione delle informazioni, nella misura in cui lo esigano i suoi interessi preponderanti e a condizione che non comunichi i dati personali a terzi.

<sup>5</sup> Il detentore della collezione di dati deve indicare per quale motivo rifiuta, limita o differisce l'informazione.

#### Art. 9 Limitation of the duty to provide information

<sup>1</sup> The controller of a data file may refuse, restrict or defer the provision of information where:

- a. a formal enactment so provides;
- b. this is required to protect the overriding interests of third parties.

<sup>2</sup> A federal body may further refuse, restrict or defer the provision of information where:

- a. this is required to protect overriding public interests, and in particular the internal or external security of the Confederation;
- b. the information would jeopardise the outcome of a criminal investigation or any other investigation proceedings.

<sup>3</sup> As soon as the reason for refusing, restricting or deferring the provision of information ceases to apply, the federal body must provide the information unless this is impossible or only possible with disproportionate inconvenience or expense.

<sup>4</sup> The private controller of a data file may further refuse, restrict or defer the provision of information where his own overriding interests so require and he does not disclose the personal data to third parties.

<sup>5</sup> The controller of a data file must indicate the reason why he has refused, restricted or deferred access to information.

#### Art. 10a

##### Art. 10a Datenbearbeitung durch Dritte

<sup>1</sup> Das Bearbeiten von Personendaten kann durch Vereinbarung oder Gesetz Dritten übertragen werden, wenn:

- a. die Daten nur so bearbeitet werden, wie der Auftraggeber selbst es tun dürfte; und
- b. keine gesetzliche oder vertragliche Geheimhaltungspflicht es verbietet.

<sup>2</sup> Der Auftraggeber muss sich insbesondere vergewissern, dass der Dritte die Datensicherheit gewährleistet.

<sup>3</sup> Dritte können dieselben Rechtfertigungsgründe geltend machen wie der Auftraggeber.

##### Art. 10a Traitement de données par un tiers

<sup>1</sup> Le traitement de données personnelles peut être confié à un tiers pour autant qu'une convention ou la loi le prévoit et que les conditions suivantes soient remplies:

- a. seuls les traitements que le mandant serait en droit d'effectuer lui-même sont effectués;
- b. aucune obligation légale ou contractuelle de garder le secret ne l'interdit.

<sup>2</sup> Le mandant doit en particulier s'assurer que le tiers garantit la sécurité des données.

<sup>3</sup> Le tiers peut faire valoir les mêmes motifs justificatifs que le mandant.

Art. 10a Trattamento dei dati da parte di terzi

<sup>1</sup> Il trattamento di dati personali può essere affidato a terzi mediante convenzione o per legge se:

a. non è diverso da quello che il mandante stesso avrebbe il diritto di fare; e  
b. nessun obbligo legale o contrattuale di mantenere il segreto lo vieta.

<sup>2</sup> Il mandante deve in particolare assicurarsi che il terzo garantisca la sicurezza dei dati.

<sup>3</sup> Il terzo può far valere gli stessi motivi giustificativi del mandante.

Art. 10a16 Data processing by third parties

<sup>1</sup> The processing of personal data may be assigned to third parties by agreement or by law if:

a. the data is processed only in the manner permitted for the instructing party itself; and

b. it is not prohibited by a statutory or contractual duty of confidentiality.

<sup>2</sup> The instructing party must in particular ensure that the third party guarantees data security.

<sup>3</sup> Third parties may claim the same justification as the instructing party.

Art. 47

Art. 47

<sup>1</sup> Mit Freiheitsstrafe bis zu drei Jahren oder Geldstrafe wird bestraft, wer vorsätzlich:

a. ein Geheimnis offenbart, das ihm in seiner Eigenschaft als Organ, Angestellter, Beauftragter oder Liquidator einer Bank, als Organ oder Angestellter einer Prüfgesellschaft anvertraut worden ist oder das er in dieser Eigenschaft wahrgenommen hat;

b. zu einer solchen Verletzung des Berufsgeheimnisses zu verleiten sucht.

<sup>2</sup> Wer fahrlässig handelt, wird mit Busse bis zu 250 000 Franken bestraft.

<sup>3</sup> Im Fall einer Wiederholung innert fünf Jahren nach der rechtskräftigen Verurteilung beträgt die Geldstrafe mindestens 45 Tagessätze.

<sup>4</sup> Die Verletzung des Berufsgeheimnisses ist auch nach Beendigung des amtlichen oder dienstlichen Verhältnisses oder der Berufsausübung strafbar.

<sup>5</sup> Vorbehalten bleiben die eidgenössischen und kantonalen Bestimmungen über die Zeugnispflicht und über die Auskunftspflicht gegenüber einer Behörde.

<sup>6</sup> Verfolgung und Beurteilung der Handlungen nach dieser Bestimmung obliegen den Kantonen. Die allgemeinen Bestimmungen des Strafgesetzbuches kommen zur Anwendung.

Art. 47

<sup>1</sup> Est puni d'une peine privative de liberté de trois ans au plus ou d'une peine pécuniaire celui qui, intentionnellement:

a. en sa qualité d'organe, d'employé, de mandataire ou de liquidateur d'une banque, ou encore d'organe ou d'employé d'une société d'audit, révèle un secret à lui confié ou dont il a eu connaissance en raison de sa charge ou de son emploi;

b. incite autrui à violer le secret professionnel.

<sup>2</sup> Si l'auteur agit par négligence, il est puni d'une amende de 250 000 francs au plus.

<sup>3</sup> En cas de récidive dans les cinq ans suivant une condamnation entrée en force, la peine pécuniaire est de 45 jours-amende au moins.

<sup>4</sup> La violation du secret professionnel demeure punissable alors même que la charge, l'emploi ou l'exercice de la profession a pris fin.

<sup>5</sup> Les dispositions de la législation fédérale et cantonale sur l'obligation de renseigner l'autorité et de témoigner en justice sont réservées.

<sup>6</sup> La poursuite et le jugement des infractions réprimées par la présente disposition incombent aux cantons. Les dispositions générales du code pénal sont applicables.

Art. 47

<sup>1</sup> È punito con una pena detentiva sino a tre anni o con una pena pecuniaria chiunque, intenzionalmente:

a. rivela un segreto che gli è confidato o di cui ha notizia nella sua qualità di membro di un organo, impiegato, mandatario o liquidatore di una banca, membro di un organo o impiegato di una società di audit;

b. ovvero tenta di indurre a siffatta violazione del segreto professionale.

<sup>2</sup> Chi ha agito per negligenza è punito con la multa sino a 250 000 franchi.

<sup>3</sup> In caso di recidiva entro cinque anni da una condanna passata in giudicato, la pena pecuniaria è di almeno 45 aliquote giornaliere.

<sup>4</sup> La rivelazione del segreto è punibile anche dopo la cessazione della carica, della funzione o dell'esercizio della professione.

<sup>5</sup> Sono fatte salve le disposizioni delle legislazioni federali e cantionali sull'obbligo di dare informazioni all'autorità e di testimoniare in giudizio.

<sup>6</sup> Il perseguimento e il giudizio delle azioni punibili in conformità di queste disposizioni competono ai Cantoni. Sono applicabili le disposizioni generali del Codice penale.

#### Art. 47

<sup>1</sup> Imprisonment of up to three years or fine will be awarded to persons who deliberately:

a. disclose a secret that is entrusted to him in his capacity as body, employee, appointee, or liquidator of a bank, as body or employee of an audit company or that he has observed in this capacity;

b. attempts to induce such an infraction of the professional secrecy.

<sup>2</sup> Persons acting with negligence will be penalized with a fine of up to 250 000 francs.

<sup>3</sup> In the case of a repeat within five years of the prior conviction, the fine will amount to 45 day rates at a minimum.

<sup>4</sup> The violation of the professional secrecy also punishable after conclusion of the licensed or official responsibilities or the professional exercising duties is punishable.

<sup>5</sup> The federal and cantonal provisions on the duty to provide information to an authority remain reserved.

<sup>6</sup> Prosecution and judgement of offences pursuant to these provisions are incumbent upon the cantons. The general provisions of the Swiss Penal Code are applicable.

PATENTVERORDNUNG (SR. 232.141)

Ordonnance sur les brevets  
Ordinanza sui brevetti  
Patent Ordinance

Art. 90

Art. 90 Akteneinsicht

<sup>1</sup> Vor der Veröffentlichung der Offenlegungsschrift oder der Erteilung des Patents, falls diese früher erfolgt, dürfen in das Aktenheft Einsicht nehmen:

- a. der Anmelder und sein Vertreter;
- b. Personen, die nachweisen, dass ihnen der Anmelder die Verletzung seiner Rechte aus der Anmeldung vorwirft oder dass er sie vor solcher Verletzung warnt;
- c. Dritte, die sich über die Zustimmung des Anmelders oder seines Vertreters ausweisen können.

<sup>2</sup> Diese Personen dürfen auch in zurückgewiesene oder zurückgezogene Anmeldungen Einsicht nehmen.

<sup>3</sup> Nach dem in Absatz 1 genannten Zeitpunkt steht das Aktenheft jedermann zur Einsichtnahme offen.

<sup>4</sup> Wer nach Absatz 1 oder 2 Einsicht in das Aktenheft nehmen will, soll dem Institut im Voraus den Zeitpunkt nennen, den er dafür in Aussicht nimmt.

Art. 90 Consultation des pièces

<sup>1</sup> Avant la publication du fascicule de la demande ou avant la délivrance du brevet, si celle-ci intervient avant, sont autorisés à consulter le dossier:

- a. le demandeur et son mandataire;
- b. les personnes en mesure de prouver que le demandeur leur fait grief de violer les droits découlant de sa demande de brevet ou qu'il les met en garde contre une telle violation;
- c. les tiers en mesure de prouver que le demandeur ou son mandataire y consent.

<sup>2</sup> Ces personnes sont aussi autorisées à consulter des demandes de brevet rejetées ou retirées.

<sup>3</sup> Après la phase visée à l'al. 1, toute personne peut consulter le dossier.

<sup>4</sup> Celui qui, en vertu de l'al. 1 ou 2, entend consulter le dossier doit indiquer d'avance à l'Institut la date à laquelle il envisage de le faire.

<sup>5</sup> Si la consultation de titres probants classés à part (art. 89, al. 2) est requise, l'Institut se prononce après avoir entendu le demandeur ou le titulaire du brevet.

<sup>6</sup> Lorsque l'intérêt public l'exige, le Département fédéral de justice et police peut autoriser l'Institut à laisser les services de l'administration fédérale consulter le dossier.

<sup>7</sup> Sur demande, les pièces à consulter seront délivrées sous forme de copies.

<sup>8</sup> Les prescriptions générales en matière d'entraide judiciaire sont réservées.

Art. 90 Consultazione

<sup>1</sup> Prima della pubblicazione del fascicolo della domanda o del rilascio del brevetto, qualora avvenga prima, sono autorizzati a consultare l'inserito:

- a. il depositante ed il suo mandatario;
- b. le persone che dimostrano di essere accusate dal depositante di violare i diritti derivanti dalla sua domanda di brevetto o di essere da lui messe in guardia contro tale violazione;
- c. i terzi in grado di dimostrare consenso del depositante o del suo mandatario.

<sup>2</sup> Queste persone sono autorizzate a consultare anche domande di brevetto respinte o ritirate.

<sup>3</sup> Dopo il termine di cui al capoverso 1, ciascuno può consultare l'inserto.

<sup>4</sup> Chiunque, in virtù del capoverso 1 o 2 desidera consultare l'inserto deve previamente indicare all'Istituto il giorno in cui intende farlo.

<sup>5</sup> Qualora venga richiesta la consultazione di documenti probatori archiviati a parte (art. 89 cpv. 2), l'Istituto si pronuncia dopo aver udito il depositante o il titolare del brevetto.

<sup>6</sup> Qualora l'interesse pubblico lo esiga, il Dipartimento federale di giustizia e polizia può autorizzare l'Istituto a permettere agli uffici competenti dell'Amministrazione federale di consultare l'inserto.

<sup>7</sup> Su richiesta, la consultazione viene concessa tramite il rilascio di copie.

<sup>8</sup> Sono riservate le prescrizioni generali in materia di assistenza giudiziaria.

#### Art. 90 Inspection of files

<sup>1</sup> Before the publication of the patent application or the grant of the patent, whichever occurs earlier, the following persons shall have the right to access the files:

a. the applicant and his proxy;

b. persons who can prove that the applicant claims that his rights arising out of the patent application are infringed by the actions of that person or persons whom the applicant has cautioned of such infringement;

c. third parties who can prove the consent to the inspection of the files by the applicant or the proxy of the applicant.

<sup>2</sup> These persons are also entitled to inspect denied or withdrawn applications.

<sup>3</sup> After the point in time mentioned by paragraph 1, any person shall be entitled to inspect the files.

<sup>4</sup> Whoever intends to make use of his right to inspection according to paragraph 1 or 2 shall notify the Institute in advance of the date on which he intends to inspect the files.

<sup>5</sup> The Institute decides, after consulting the applicant or patent owner, whether the inspection of separately held documents of proof (art. 89 para. 2) shall be granted.

<sup>6</sup> If public interest demands the inspection of patent records by government agencies, the Federal Department of Justice and Police may grant the respective authority to the Institute.

<sup>7</sup> The inspection of files by delivery of copies shall be granted on demand.

<sup>8</sup> The general provisions on legal assistance are reserved.

PATENTGESETZ (SR. 23<sup>2</sup>14)

Loi sur les brevets  
Legge sui brevetti  
Patent Act

*Art. 50*

Art. 50 Offenbarung der Erfindung

<sup>1</sup> Die Erfindung ist im Patentgesuch so darzulegen, dass der Fachmann sie ausführen kann.

Art. 50 Exposé de l'invention

<sup>1</sup> L'invention doit être exposée, dans la demande de brevet, de façon telle qu'un homme de métier puisse l'exécuter.

Art. 50 Esposto dell'invenzione

<sup>1</sup> L'invenzione deve essere spiegata, nella domanda di brevetto, in modo che possa essere attuata da persona esperta.

Art. 50 Disclosure of the invention

<sup>1</sup> The invention shall be disclosed in the patent application in a manner which enables a specialist to recreate the invention.

*Art. 58a*

Art. 58a Veröffentlichung von Patentgesuchen

<sup>1</sup> Das Institut veröffentlicht Patentgesuche:

a. unverzüglich nach Ablauf von 18 Monaten nach dem Anmeldedatum oder, wenn eine Priorität in Anspruch genommen wurde, nach dem Prioritätsdatum;

b. auf Antrag des Anmelders vor Ablauf der Frist nach Buchstabe a.

<sup>2</sup> Die Veröffentlichung enthält die Beschreibung, die Patentansprüche und gegebenenfalls die Zeichnungen, ferner die Zusammenfassung, sofern diese vor Abschluss der technischen Vorbereitungen für die Veröffentlichung vorliegt, und gegebenenfalls den Bericht über den Stand der Technik oder die Recherche internationaler Art nach Artikel 59 Absatz <sup>5</sup> Ist der Bericht über den Stand der Technik oder die Recherche internationaler Art nach Artikel 59 Absatz 5 nicht mit dem Patentgesuch veröffentlicht worden, so werden sie gesondert veröffentlicht.

Art. 58a Publication des demandes de brevet

<sup>1</sup> L'Institut publie les demandes de brevet:

a. immédiatement après l'expiration d'un délai de 18 mois à compter de la date de dépôt ou, si une priorité a été revendiquée, à compter de la date de priorité;

b. avant l'expiration du délai visé à la let. a sur requête du déposant.

<sup>2</sup> La publication comprend la description et les revendications ainsi que, le cas échéant, les dessins, l'abrégé, pour autant qu'il soit disponible avant la fin des préparatifs techniques en vue de la publication, un rapport sur l'état de la technique et une recherche de type international au sens de l'art. 59, al. <sup>5</sup> Si ce rapport ou cette recherche n'ont pas été publiés avec la demande de brevet, ils le sont séparément.

Art. 58a Pubblicazione della domanda di brevetto

<sup>1</sup> L'Istituto pubblica le domande di brevetto:

a. senza indugio trascorsi 18 mesi dalla data di deposito oppure, se è stata rivendicata una priorità, dopo la data di priorità;

b. su domanda del richiedente, prima che scada il termine di cui alla lettera a.

<sup>2</sup> La pubblicazione contiene la descrizione, le rivendicazioni e, se del caso, i disegni, nonché l'estratto, sempre che sia disponibile prima della conclusione dei preparativi tecnici per la pubblicazione, e, se del caso, il rapporto sullo stato della tecnica o la ricerca di tipo internazionale secondo l'articolo 59 capoverso <sup>5</sup> Se non sono stati pubblicati con la domanda di brevetto, il rapporto sullo stato della tecnica o la ricerca di tipo internazionale secondo l'articolo 59 capoverso 5 sono pubblicati separatamente.

Art. 58a Publication of patent applications

<sup>1</sup> The Institute publishes patent applications:

a. without delay after a period of 18 months from the application date, or, if a priority has been claimed, from the priority date;

b. on request of the applicant before the expiration of the period under letter a.

<sup>2</sup> The publication contains the description, the patent claims and, if applicable, the drawings and, furthermore, the summary, if it is available before the completion of the technical preparations, and, if available, the report on the state of technology or the international study pursuant to article 59 paragraph <sup>5</sup> If the report on the state of technology or the international study pursuant to article 59 paragraph 5 has not been published with the patent application, it shall be published separately.

Art. 65

Art. 65 Akteneinsicht

<sup>1</sup> Nach der Veröffentlichung des Patentgesuchs darf jedermann in das Aktenheft Einsicht nehmen. Der Bundesrat darf das Einsichtsrecht nur einschränken, wenn Fabrikations- oder Geschäftsgeheimnisse oder andere überwiegende Interessen entgegenstehen.

<sup>2</sup> Der Bundesrat regelt, in welchen Fällen vor der Veröffentlichung des Patentgesuchs Einsicht in das Aktenheft gewährt wird. Er regelt insbesondere auch die Einsichtnahme in Patentgesuche, die vor deren Veröffentlichung zurückgewiesen oder zurückgenommen wurden.

Art. 65 Consultation du dossier

<sup>1</sup> Après la publication de la demande de brevet, toute personne peut consulter le dossier. Le Conseil fédéral ne peut limiter ce droit de consultation que lorsque des secrets de fabrication ou d'affaires ou d'autres intérêts prépondérants s'y opposent.

<sup>2</sup> Le Conseil fédéral définit les cas dans lesquels le dossier peut être consulté avant la publication de la demande de brevet. Il règle notamment la consultation des demandes de brevet qui ont été rejetées ou retirées avant leur publication.

Art. 65 Consultazione degli atti

<sup>1</sup> Dopo la pubblicazione della domanda di brevetto, chiunque può consultare il fascicolo degli atti. Il Consiglio federale può limitare il diritto di consultazione unicamente se vi si oppongono segreti di fabbricazione o d'affari oppure altri interessi preponderanti.

<sup>2</sup> Il Consiglio federale definisce i casi in cui la consultazione del fascicolo degli atti è concessa prima della pubblicazione della domanda di brevetto. In particolare disciplina anche la consultazione delle domande di brevetto che sono respinte o ritirate prima della loro pubblicazione.



Art. 65 Inspection of records

<sup>1</sup> Any person is entitled to inspect the records after publication of the patent application. The Federal Council may only limit the right to inspect files in case manufacturing or trade secrets or other preponderant interests are opposed to the inspection of files.

<sup>2</sup> The Federal Council regulates the cases in which the right to inspection of files is granted before the publication of the patent application. It particularly regulates the inspection in patent applications which have been denied or withdrawn before publication.

Loi sur les designs  
Legge sul design  
Design Act

*Art. 26*

Art. 26 Aufschub der Veröffentlichung

<sup>1</sup> Die hinterlegende Person kann schriftlich beantragen, dass die Veröffentlichung um höchstens 30 Monate, vom Hinterlegungs- oder Prioritätsdatum an gerechnet, aufgeschoben wird.

<sup>2</sup> Während des Aufschubs kann die Rechtsinhaberin jederzeit die sofortige Veröffentlichung verlangen.

<sup>3</sup> Das Institut hält das hinterlegte Design bis zum Ablauf des Aufschubs geheim. Die Geheimhaltung ist unbefristet, wenn die Hinterlegung vor Ablauf des Aufschubs zurückgenommen wird.

Art. 26 Ajournement de la publication

<sup>1</sup> Le déposant peut demander par écrit que la publication soit ajournée de 30 mois au plus à compter de la date de dépôt ou de priorité.

<sup>2</sup> Pendant la durée de l'ajournement, le titulaire peut demander à tout moment la publication immédiate.

<sup>3</sup> L'Institut garde secret le design déposé jusqu'à l'expiration de l'ajournement. Le secret est maintenu si le dépôt est retiré avant l'échéance de l'ajournement.

Art. 26 Differimento della pubblicazione

<sup>1</sup> Il depositante può chiedere per scritto che la pubblicazione sia differita di 30 mesi al massimo a contare dalla data di deposito o di priorità.

<sup>2</sup> Durante il periodo di differimento, il titolare del diritto può chiedere in ogni momento la pubblicazione immediata.

<sup>3</sup> L'Istituto mantiene segreto il design depositato fino alla scadenza del periodo di differimento. Il segreto è mantenuto illimitatamente, se il deposito viene ritirato prima della scadenza del periodo di differimento.

Art. 26 Delay of publication

<sup>1</sup> The applicant can request in writing that the publication be delayed by a maximum of 30 months from the date of application or priority.

<sup>2</sup> During the delay, the owner of the right is entitled to immediate publication.

<sup>3</sup> The Institute shall keep the deposited design secret until the expiration of the delay. The secrecy is unlimited in time if the application is withdrawn before the expiration of the delay.

*Art. 48*

Art. 48 Zurückbehaltung der Gegenstände

<sup>1</sup> Hat die Zollverwaltung aufgrund eines Antrags nach Artikel 47 Absatz 1 den begründeten Verdacht, dass zur Ein-, Aus- oder Durchfuhr bestimmte Gegenstände widerrechtlich hergestellt worden sind, so teilt sie dies einerseits der Antragstellerin und andererseits der Anmelderin, Besitzerin oder Eigentümerin beziehungsweise dem Anmelder, Besitzer oder Eigentümer der Gegenstände mit.

<sup>2</sup> Die Zollverwaltung behält die betreffenden Gegenstände bis zu zehn Arbeitstage vom Zeitpunkt der Mitteilung nach Absatz 1 an zurück, damit die Antragstellerin vorsorgliche Massnahmen erwirken kann.

<sup>3</sup> In begründeten Fällen kann die Zollverwaltung die betreffenden Gegenstände während höchstens zehn weiteren Arbeitstagen zurückbehalten.

#### Art. 48 Rétection des objets

<sup>1</sup> Lorsque, à la suite d'une demande déposée en vertu de l'art. 47, al. 1 l'Administration des douanes a des raisons fondées de soupçonner l'importation, l'exportation ou le transit d'objets fabriqués illicitement, elle en informe le requérant, d'une part, et le déclarant, le possesseur ou le propriétaire des objets, d'autre part.

<sup>2</sup> Afin de permettre au requérant d'obtenir des mesures provisionnelles, l'Administration des douanes retient les objets en cause durant dix jours ouvrables au plus à compter de la communication prévue à l'al. <sup>1</sup>

<sup>3</sup> Si les circonstances le justifient, l'Administration des douanes peut retenir les objets en cause durant un délai supplémentaire de dix jours ouvrables au plus.

#### Art. 48 Trattenuta degli oggetti

<sup>1</sup> Se, in seguito a una domanda secondo l'articolo 47 capoverso 1, ha motivi fondati di sospettare che determinati oggetti destinati all'importazione, all'esportazione o al transito siano stati fabbricati illecitamente, l'Amministrazione delle dogane lo comunica al richiedente, nonché al dichiarante, detentore o proprietario degli oggetti.<sup>1</sup>

<sup>2</sup> L'Amministrazione delle dogane trattiene gli oggetti in questione fino dieci giorni feriali a contare dal momento della comunicazione secondo il capoverso 1, affinché il richiedente possa ottenere provvedimenti cautelari.

<sup>3</sup> In casi motivati, l'Amministrazione delle dogane può trattenere gli oggetti in questione per altri dieci giorni feriali al massimo.

#### Art. 48 Retention of items

<sup>1</sup> If the customs authorities have reasonable suspicion that items designated for import, export or transit were manufactured illegally pursuant to a petition according to article 47 paragraph 1, it notifies the petitioner as well as the declarant, possessor or owner of the items.

<sup>2</sup> The customs authorities withhold the items in question for 10 work days from the notification according to paragraph 1 in order for the applicant to be able to seek injunctive relief.

<sup>3</sup> If justified, the customs authorities may withhold the items for another 10 work days.

KARTELLGESETZ (SR. 251)

Loi sur les cartels  
Legge sui cartelli  
Cartel Act

Art. 25

Art. 25 Amts- und Geschäftsgeheimnis

- 1 Die Wettbewerbsbehörden wahren das Amtsgeheimnis.
- 2 Sie dürfen Kenntnisse, die sie bei ihrer Tätigkeit erlangen, nur zu dem mit der Auskunft oder dem Verfahren verfolgten Zweck verwerten.
- 3 Dem Preisüberwacher dürfen die Wettbewerbsbehörden diejenigen Daten weitergeben, die er für die Erfüllung seiner Aufgaben benötigt.
- 4 Die Veröffentlichungen der Wettbewerbsbehörden dürfen keine Geschäftsgeheimnisse preisgeben.

Art. 25 Secret de fonction et secrets d'affaires

- <sup>1</sup> Les autorités en matière de concurrence sont assujetties au secret de fonction.
- <sup>2</sup> Les informations recueillies dans l'exercice de leurs fonctions ne peuvent être utilisées qu'à des fins de renseignement ou d'enquête.
- <sup>3</sup> Elles peuvent communiquer au Surveillant des prix toutes les données nécessaires à l'accomplissement de sa tâche.
- <sup>4</sup> Les publications des autorités en matière de concurrence ne doivent révéler aucun secret d'affaires.

Art. 25 Segreto d'ufficio e d'affari

- <sup>1</sup> Le autorità in materia di concorrenza serbano il segreto d'ufficio.
- <sup>2</sup> Quanto appreso nell'esercizio delle loro funzioni può essere utilizzato unicamente per gli scopi perseguiti dalla raccolta d'informazioni o dalla procedura.
- <sup>3</sup> Al Sorvegliante dei prezzi possono essere comunicate unicamente le informazioni necessarie allo svolgimento del suo compito.
- <sup>4</sup> Le pubblicazioni delle autorità della concorrenza non devono rivelare alcun segreto d'affari.

Art. 25 Official and business secrets (translation by the federal authorities)

- 1 The competition authorities shall be bound by the rules on official secrecy.
- 2 They shall use information obtained in the performance of their duties only for the purpose for which it was obtained or for the purpose of the investigation.
- 3 The competition authorities may provide the Price Supervisor with any information required for the accomplishment of the latter's duties.
- 4 The competition authorities' publications shall not reveal any business secrets.

Loi sur le droit d'auteur  
Legge sul diritto d'autore  
Copyright Act

*Art. 17*

Art. 17 Rechte an Programmen

Wird in einem Arbeitsverhältnis bei Ausübung dienstlicher Tätigkeiten sowie in Erfüllung vertraglicher Pflichten ein Computerprogramm geschaffen, so ist der Arbeitgeber oder die Arbeitgeberin allein zur Ausübung der ausschliesslichen Verwendungsbefugnisse berechtigt.

Art. 17 Droits sur les logiciels

L'employeur est seul autorisé à exercer les droits exclusifs d'utilisation sur le logiciel créé par le travailleur dans l'exercice de son activité au service de l'employeur et conformément à ses obligations contractuelles.

Art. 17 Diritti su programmi per computer

Il diritto esclusivo di utilizzazione su programmi per computer, creati dal lavoratore nell'esercizio delle sue attività di servizio e nell'adempimento degli obblighi contrattuali, spetta unicamente al datore di lavoro.

Art. 17 rights in computer programs

Where a computer program is created during an employment relationship in the course of performing official duties and executing contractual obligations, the employer alone shall be entitled to exercise the exclusive copyrights.

*Art. 21*

Art. 21 Entschlüsselung von Computerprogrammen

<sup>1</sup> Wer das Recht hat, ein Computerprogramm zu gebrauchen, darf sich die erforderlichen Informationen über Schnittstellen zu unabhängig entwickelten Programmen durch Entschlüsselung des Programmcodes beschaffen oder durch Drittpersonen beschaffen lassen.

<sup>2</sup> Die durch Entschlüsselung des Programmcodes gewonnenen Schnittstelleninformationen dürfen nur zur Entwicklung, Wartung sowie zum Gebrauch von interoperablen Computerprogrammen verwendet werden, soweit dadurch weder die normale Auswertung des Programms noch die rechtmässigen Interessen der Rechtsinhaber und -inhaberinnen unzumutbar beeinträchtigt werden.

Art. 21 Décryptage de logiciels

<sup>1</sup> La personne autorisée à utiliser un logiciel peut se procurer, par le décryptage du code du programme, des informations sur des interfaces avec des programmes développés de manière indépendante. Elle peut opérer elle-même ou mandater un tiers.

<sup>2</sup> Les informations sur des interfaces obtenues par le décryptage du code du programme ne peuvent être utilisées que pour développer, entretenir et utiliser des logiciels interoperables, pourvu qu'une telle utilisation ne porte pas atteinte à l'exploitation normale du programme ni ne cause un préjudice injustifié aux intérêts légitimes de l'ayant droit.

Art. 21 Decodificazione di programmi per computer

<sup>1</sup> Chi è autorizzato ad utilizzare un programma per computer può procurarsi, mediante decodificazione del codice del programma o tramite terzi, le

informazioni necessarie per l'interfaccia con programmi elaborati indipendentemente.

<sup>2</sup> Le informazioni per l'interfaccia, ottenute mediante decodificazione del codice di programma, possono essere utilizzate solamente per l'elaborazione, la manutenzione e l'utilizzazione di programmi interoperabili, a condizione che non si pregiudichi in modo intollerabile la normale utilizzazione del programma né gli interessi legittimi dell'avente diritto.

Art. 21 Decoding of computer programs

<sup>1</sup> Any person having the right to use a computer program may obtain, either himself or through a third party, the necessary information on interfaces to independently developed programs by decoding the program code.

<sup>2</sup> The interface information obtained by decoding the program code may only be used for the development, maintenance and use of interoperative computer programs as far as neither the normal use of the program nor the legitimate interests of the holder of rights are unreasonably impaired.

*Art. 51*

Art. 51

<sup>1</sup> Soweit es ihnen zuzumuten ist, müssen die Werknutzer und -nutzerinnen den Verwertungsgesellschaften alle Auskünfte erteilen, welche diese für die Gestaltung und die Anwendung der Tarife sowie die Verteilung des Erlöses benötigen.

<sup>2</sup> Die Verwertungsgesellschaften sind verpflichtet, Geschäftsgeheimnisse zu wahren.

Art. 51

<sup>1</sup> Dans la mesure où l'on peut raisonnablement l'exiger d'eux, les utilisateurs d'oeuvres doivent fournir aux sociétés de gestion tous les renseignements dont elles ont besoin pour fixer les tarifs, les appliquer et répartir le produit de leur gestion.

<sup>2</sup> Les sociétés de gestion sont tenues de sauvegarder le secret des affaires.

Art. 51

<sup>1</sup> Nella misura in cui si possa ragionevolmente pretenderlo da loro, gli utenti d'opere devono fornire alle società di gestione le informazioni di cui esse abbisognano per fissare e applicare le tariffe nonché per ripartire il prodotto della gestione.

<sup>2</sup> Le società di gestione sono tenute al segreto commerciale.

Art. 51

<sup>1</sup> Where it may reasonably be expected, the users of works shall provide the collecting societies with all the necessary information for the determination and application of the tariffs and for distributing the proceeds.

<sup>2</sup> The collecting societies shall be obligated to protect business secrets

*Art. 77b*

Art. 77b Wahrung von Fabrikations- und Geschäftsgeheimnissen

<sup>1</sup> Gleichzeitig mit der Benachrichtigung nach Artikel 77 Absatz 1 informiert die Zollverwaltung den Anmelder, Besitzer oder Eigentümer beziehungsweise die Anmelderin, Besitzerin oder Eigentümerin der Ware über die mögliche Übergabe von Proben oder Mustern beziehungsweise die Besichtigungsmöglichkeit nach Artikel 77a Absatz <sup>1</sup>

<sup>2</sup> Der Anmelder, Besitzer oder Eigentümer beziehungsweise die Anmelderin, Besitzerin oder Eigentümerin kann verlangen, zur Wahrung seiner beziehungsweise ihrer Fabrikations- oder Geschäftsgeheimnisse bei der Besichtigung anwesend zu sein.

<sup>3</sup> Die Zollverwaltung kann auf begründeten Antrag des Anmelders, Besitzers oder Eigentümers beziehungsweise der Anmelderin, Besitzerin oder Eigentümerin die Übergabe von Proben oder Mustern verweigern.

#### Art. 77b Protection des secrets de fabrication ou d'affaires

<sup>1</sup> En même temps que la communication visée à l'art. 77, al. 1, l'Administration des douanes informe le déclarant, le possesseur ou le propriétaire des produits de la possibilité, prévue à l'art. 77a, al. 1 de remettre des échantillons au requérant ou de le laisser examiner sur place les produits retenus.

<sup>2</sup> Le déclarant, le possesseur ou le propriétaire des produits peut demander d'assister à l'examen afin de protéger ses secrets de fabrication ou d'affaires.

<sup>3</sup> Sur demande motivée du déclarant, du possesseur ou du propriétaire des produits, l'Administration des douanes peut refuser la remise d'échantillons.

#### Art. 77b Tutela dei segreti di fabbricazione e d'affari

<sup>1</sup> Contemporaneamente alla comunicazione di cui all'articolo 77 capoverso 1, l'Amministrazione delle dogane informa il dichiarante, detentore o proprietario della merce della possibile consegna di campioni e della possibilità di ispezionarli secondo l'articolo 77a capoverso <sup>1</sup>

<sup>2</sup> Il dichiarante, detentore o proprietario può chiedere di essere presente durante l'ispezione al fine di tutelare i propri segreti di fabbricazione o d'affari.

<sup>3</sup> L'Amministrazione delle dogane può, su richiesta motivata del dichiarante, detentore o proprietario, rifiutare la consegna di campioni.

#### Art. 77b Protection of manufacturing and trade secrets

<sup>1</sup> Simultaneously with the notification pursuant to article 77 paragraph 1, the customs authorities notify the declarant, possessor or owner of the merchandise regarding the possibility of handing over specimen or samples, respectively of the possibility of inspection according to article 77a paragraph <sup>1</sup>

<sup>2</sup> The declarant, possessor or owner may request, for the purpose of protection of manufacturing or trade secrets, to be present at the inspection.

<sup>3</sup> The customs authorities can, on reasonable request of the declarant, possessor or owner, deny the handing over of specimen or samples.

INTERNATIONALES PRIVATRECHT (SR. 291)

Loi sur le droit international privé  
Legge sul diritto internazionale private  
International civil law

Art. 25

Art. 25 Anerkennung

Eine ausländische Entscheidung wird in der Schweiz anerkannt:

- a. wenn die Zuständigkeit der Gerichte oder Behörden des Staates, in dem die Entscheidung ergangen ist, begründet war;
- b. wenn gegen die Entscheidung kein ordentliches Rechtsmittel mehr geltend gemacht werden kann oder wenn sie endgültig ist, und
- c. wenn kein Verweigerungsgrund im Sinne von Artikel 27 vorliegt.

Art. 25 Reconnaissance

Une décision étrangère est reconnue en Suisse:

- a. si la compétence des autorités judiciaires ou administratives de l'Etat dans lequel la décision a été rendue était donnée;
- b. si la décision n'est plus susceptible de recours ordinaire ou si elle est définitive, et
- c. s'il n'y a pas de motif de refus au sens de l'art. 2<sup>7</sup>

Art. 25 Riconoscimento

Una decisione straniera è riconosciuta in Svizzera se:

- a. vi era competenza dei tribunali o delle autorità dello Stato in cui fu pronunciata;
- b. non può più essere impugnata con un rimedio giuridico ordinario o è definitiva e
- c. non sussiste alcun motivo di rifiuto giusta l'articolo 2<sup>7</sup>

Art. 25 Recognition

A foreign decision shall be recognized in Switzerland:

- a. if the judicial or administrative authorities of the state where the decision was rendered had jurisdiction
- b. if the decision is no longer subject to any ordinary appeal or if it is a final decision
- c. if there is no ground for denial within the meaning of Article 2<sup>7</sup>

Art. 27

Art. 27 Verweigerungsgründe

<sup>1</sup> Eine im Ausland ergangene Entscheidung wird in der Schweiz nicht anerkannt, wenn die Anerkennung mit dem schweizerischen Ordre public offensichtlich unvereinbar wäre.

<sup>2</sup> Eine im Ausland ergangene Entscheidung wird ebenfalls nicht anerkannt, wenn eine Partei nachweist:

- a. dass sie weder nach dem Recht an ihrem Wohnsitz noch nach dem am gewöhnlichen Aufenthalt gehörig geladen wurde, es sei denn, sie habe sich vorbehaltlos auf das Verfahren eingelassen;
- b. dass die Entscheidung unter Verletzung wesentlicher Grundsätze des schweizerischen Verfahrensrechts zustande gekommen ist, insbesondere dass ihr das rechtliche Gehör verweigert worden ist;
- c. dass ein Rechtsstreit zwischen denselben Parteien und über denselben Gegenstand zuerst in der Schweiz eingeleitet oder in der Schweiz entschieden worden ist oder dass er in einem Drittstaat früher entschieden worden ist und dieser Entscheid in der Schweiz anerkannt werden kann.



<sup>3</sup> Im Übrigen darf die Entscheidung in der Sache selbst nicht nachgeprüft werden.

#### Art. 27 Motifs de refus

<sup>1</sup> La reconnaissance d'une décision étrangère doit être refusée en Suisse si elle est manifestement incompatible avec l'ordre public suisse.

<sup>2</sup> La reconnaissance d'une décision doit également être refusée si une partie établit:

a. qu'elle n'a été citée régulièrement, ni selon le droit de son domicile, ni selon le droit de sa résidence habituelle, à moins qu'elle n'ait procédé au fond sans faire de réserve;

b. que la décision a été rendue en violation de principes fondamentaux ressortissant à la conception suisse du droit de procédure, notamment que ladite partie n'a pas eu la possibilité de faire valoir ses moyens;

c. qu'un litige entre les mêmes parties et sur le même objet a déjà été introduit en Suisse ou y a déjà été jugé, ou qu'il a précédemment été jugé dans un Etat tiers, pour autant que cette dernière décision remplisse les conditions de sa reconnaissance.

<sup>3</sup> Au surplus, la décision étrangère ne peut faire l'objet d'une révision au fond.

#### Art. 27 Motivi di rifiuto

<sup>1</sup> Non è riconosciuta in Svizzera la decisione straniera il cui riconoscimento sia manifestamente incompatibile con l'ordine pubblico svizzero.

<sup>2</sup> La decisione straniera non è inoltre riconosciuta qualora una parte provi che:

a. non è stata citata regolarmente, né secondo il diritto del suo domicilio né secondo il diritto della sua dimora abituale, eccetto che si sia incondizionatamente costituita in giudizio;

b. la decisione è stata presa in violazione di principi fondamentali del diritto procedurale svizzero, segnatamente in dispregio del proprio diritto d'essere sentita;

c. una causa tra le stesse parti e sullo stesso oggetto è già stata introdotta o decisa in Svizzera, ovvero precedentemente decisa in uno Stato terzo, sempreché per tale decisione siano adempiti i presupposti del riconoscimento.

<sup>3</sup> Per altro, la decisione straniera non può essere riesaminata nel merito.

#### Art. 27 Grounds for denial

<sup>1</sup> Recognition of a foreign decision must be denied in Switzerland if such decision is manifestly incompatible with Swiss public policy.

<sup>2</sup> Recognition of a decision must also be denied if a party establishes:

a. that it did not receive proper notice under either the law of its domicile or that of its habitual residence, unless such party proceeded on the merits without reservation;

b. that the decision was rendered in violation of fundamental principles pertaining to the Swiss conception of procedural law, including the fact that the said party did not have an opportunity to present its defense;

c. that a dispute between the same parties and with respect to the same subject matter is the subject of a pending proceeding in Switzerland or has already been decided in a third state, provided that the latter decision fulfils the prerequisites for its recognition.

Furthermore, a foreign decision may not be reviewed on the merits.

#### Art. 109

#### Art. 109 Zuständigkeit

<sup>1</sup> Für Klagen betreffend die Gültigkeit oder die Eintragung von Immaterialgüterrechten in der Schweiz sind die schweizerischen Gerichte am Wohnsitz des Beklagten zuständig. Hat der Beklagte keinen Wohnsitz in der Schweiz, so sind die schweizerischen Gerichte am Geschäftssitz des im Register eingetragenen Vertreters oder, wenn ein solcher fehlt, diejenigen am Sitz der schweizerischen Registerbehörde zuständig.

<sup>2</sup> Für Klagen betreffend Verletzung von Immaterialgüterrechten sind die schweizerischen Gerichte am Wohnsitz des Beklagten oder, wenn ein solcher fehlt, diejenigen an seinem gewöhnlichen Aufenthaltsort zuständig. Überdies sind die schweizerischen Gerichte am Handlungs- und Erfolgsort sowie für Klagen aufgrund der Tätigkeit einer Niederlassung in der Schweiz die Gerichte am Ort der Niederlassung zuständig.

#### Art. 109 Compétence

<sup>1</sup> Les tribunaux suisses du domicile du défendeur sont compétents pour connaître des actions portant sur la validité ou l'inscription en Suisse de droits de propriété intellectuelle. Si le défendeur n'a pas de domicile en Suisse, ces actions peuvent être intentées devant les tribunaux suisses du siège commercial du mandataire inscrit au registre, ou, à défaut, devant les tribunaux du lieu où l'autorité qui tient le registre a son siège.

<sup>2</sup> Les actions portant sur la violation de droits de propriété intellectuelle peuvent être intentées devant les tribunaux suisses du domicile du défendeur ou, à défaut, ceux de sa résidence habituelle. Sont en outre compétents les tribunaux suisses du lieu de l'acte ou du résultat et, pour connaître des actions relatives à l'activité de l'établissement en Suisse, les tribunaux du lieu de l'établissement.

#### Art. 109 Competenza

<sup>1</sup> Per le azioni concernenti la validità o l'iscrizione di diritti immateriali in Svizzera sono competenti i tribunali svizzeri del domicilio del convenuto. Se il convenuto non è domiciliato in Svizzera, sono competenti i tribunali svizzeri della sede commerciale del rappresentante iscritto nel registro o, se manca un tale rappresentante, quelli della sede dell'autorità svizzera del registro.

<sup>2</sup> Per le azioni concernenti la violazione di diritti immateriali sono competenti i tribunali svizzeri del domicilio del convenuto o, in mancanza di domicilio, quelli del luogo di dimora abituale del convenuto. Inoltre sono competenti i tribunali svizzeri del luogo dell'atto o dell'evento e, per le azioni concernenti l'attività di una stabile organizzazione in Svizzera, i tribunali della sede di tale organizzazione.

#### Art. 109 Jurisdiction

<sup>1</sup> Swiss courts at the defendant's domicile or, in the absence of a domicile, those at the place where the protection is sought, have jurisdiction to entertain actions pertaining to intellectual property rights. This provision does not apply to actions pertaining to the validity of registration of intellectual property rights in a foreign country.

<sup>2</sup> If several defendants may be sued in Switzerland and if the claims are essentially based on the same facts and the same legal grounds, the action may be brought against all of them before the same court having jurisdiction; the court before which the case was first brought has exclusive jurisdiction.

<sup>3</sup> When a defendant does not have a domicile in Switzerland, actions pertaining to the validity of the registration in Switzerland of intellectual property rights shall be brought before the Swiss courts at the headquarters of the representative recorded in the register or, in the absence of such

representative, before the courts at the place where the authority keeping the register has its office.

#### Art. 115

##### Art. 115 Arbeitsverträge

<sup>1</sup> Für Klagen aus Arbeitsvertrag sind die schweizerischen Gerichte am Wohnsitz des Beklagten oder am Ort zuständig, wo der Arbeitnehmer gewöhnlich seine Arbeit verrichtet.

<sup>2</sup> Für Klagen des Arbeitnehmers sind überdies die schweizerischen Gerichte an seinem Wohnsitz oder an seinem gewöhnlichen Aufenthalt zuständig.

<sup>3</sup> Für Klagen bezüglich der auf die Arbeitsleistung anzuwendenden Arbeits- und Lohnbedingungen sind zudem die Schweizer Gerichte am Ort zuständig, an den der Arbeitnehmer für einen begrenzten Zeitraum und zur Verrichtung auch nur eines Teils seiner Arbeit aus dem Ausland entsandt worden ist.

##### Art. 115 Contrats de travail

<sup>1</sup> Les tribunaux suisses du domicile du défendeur ou du lieu dans lequel le travailleur accomplit habituellement son travail sont compétents pour connaître des actions relatives au contrat de travail.

<sup>2</sup> L'action intentée par un travailleur peut, de surcroît, être portée au for de son domicile ou de sa résidence habituelle en Suisse.

<sup>3</sup> Les tribunaux suisses du lieu dans lequel un travailleur en provenance de l'étranger est détaché, pour une période limitée et pour y exécuter tout ou partie de sa prestation de travail, sont également compétents pour connaître des actions relatives aux conditions de travail et de salaire devant s'appliquer à cette prestation.

##### Art. 115 Contratti di lavoro

<sup>1</sup> Per le azioni derivanti dal contratto di lavoro sono competenti i tribunali svizzeri del domicilio del convenuto o del luogo in cui il lavoratore compie abitualmente il suo lavoro.

<sup>2</sup> Per le azioni del lavoratore sono inoltre competenti i tribunali svizzeri del suo domicilio o della sua dimora abituale.

<sup>3</sup> Per le azioni concernenti le condizioni di lavoro e di salario applicabili alla prestazione lavorativa sono inoltre competenti i tribunali svizzeri del luogo in cui il lavoratore è stato distaccato per un periodo di tempo limitato e per svolgere tutta o una parte del suo lavoro all'estero.

##### Art. 115 Employment contracts

<sup>1</sup> The Swiss courts at the defendant's domicile or at the place where the employee habitually performs his or her work have jurisdiction to entertain actions relating to employment contracts.

<sup>2</sup> An action initiated by an employee may also be brought before the court of his or her domicile or habitual residence in Switzerland.

<sup>3</sup> In addition, the Swiss courts at the place where the employee has been sent from abroad for a limited period of time or for the performance of only part of his work are competent regarding the working conditions and salary regulations applicable to the performance of the labour.

#### Art. 116

##### Art. 116 Anwendbares Recht

###### a. Rechtswahl

<sup>1</sup> Der Vertrag untersteht dem von den Parteien gewählten Recht.

<sup>2</sup> Die Rechtswahl muss ausdrücklich sein oder sich eindeutig aus dem Vertrag oder aus den Umständen ergeben. Im Übrigen untersteht sie dem gewählten Recht.

<sup>3</sup> Die Rechtswahl kann jederzeit getroffen oder geändert werden. Wird sie nach Vertragsabschluss getroffen oder geändert, so wirkt sie auf den Zeitpunkt des Vertragsabschlusses zurück. Die Rechte Dritter sind vorbehalten.

#### Art. 116 Droit applicable

##### a. Election de droit

<sup>1</sup> Le contrat est régi par le droit choisi par les parties.

<sup>2</sup> L'élection de droit doit être expresse ou ressortir de façon certaine des dispositions du contrat ou des circonstances; en outre, elle est régie par le droit choisi.

<sup>3</sup> L'élection de droit peut être faite ou modifiée en tout temps. Si elle est postérieure à la conclusion du contrat, elle rétroagit au moment de la conclusion du contrat. Les droits des tiers sont réservés.

#### Art. 116 Diritto applicabile

##### a. Scelta del diritto applicabile

<sup>1</sup> Il contratto è regolato dal diritto scelto dalle parti.

<sup>2</sup> La scelta del diritto applicabile dev'essere esplicita o risultare univocamente dal contratto o dalle circostanze. Per altro, è regolata dal diritto scelto.

<sup>3</sup> La scelta può avvenire o essere modificata in ogni tempo. Se fatta o modificata dopo la stipulazione del contratto, è retroattivamente efficace dal momento della stipulazione. Sono riservati i diritti dei terzi.

#### Art. 116 Applicable law

<sup>1</sup> Contracts are governed by the law chosen by the parties.

<sup>2</sup> The choice of law must be expressed or result with certainty from the provisions of the contracts or from the circumstances; it is further governed by the chosen law.

<sup>3</sup> The choice of law may be made or changed at any time. If a choice of law is made after entering into the contract, such choice has retroactive effect as of the time of entering into the contract. This provision does not affect the rights of third parties.

#### Art. 117

#### Art. 117 Fehlen einer Rechtswahl

<sup>1</sup> Bei Fehlen einer Rechtswahl untersteht der Vertrag dem Recht des Staates, mit dem er am engsten zusammenhängt.

<sup>2</sup> Es wird vermutet, der engste Zusammenhang bestehe mit dem Staat, in dem die Partei, welche die charakteristische Leistung erbringen soll, ihren gewöhnlichen Aufenthalt hat oder, wenn sie den Vertrag aufgrund einer beruflichen oder gewerblichen Tätigkeit geschlossen hat, in dem sich ihre Niederlassung befindet.

<sup>3</sup> Als charakteristische Leistung gilt namentlich:

- a. bei Veräußerungsverträgen die Leistung des Veräußerers;
- b. bei Gebrauchsüberlassungsverträgen die Leistung der Partei, die eine Sache oder ein Recht zum Gebrauch überlässt;
- c. bei Auftrag, Werkvertrag und ähnlichen Dienstleistungsverträgen die Dienstleistung;
- d. bei Verwahrungsverträgen die Leistung des Verwahrers;
- e. bei Garantie- oder Bürgschaftsverträgen die Leistung des Garanten oder des Bürgen.

Art. 117 A défaut d'élection de droit

<sup>1</sup> A défaut d'élection de droit, le contrat est régi par le droit de l'Etat avec lequel il présente les liens les plus étroits.

<sup>2</sup> Ces liens sont réputés exister avec l'Etat dans lequel la partie qui doit fournir la prestation caractéristique a sa résidence habituelle ou, si le contrat est conclu dans l'exercice d'une activité professionnelle ou commerciale, son établissement.

<sup>3</sup> Par prestation caractéristique, on entend notamment:

- a. la prestation de l'aliéneur, dans les contrats d'aliénation;
- b. la prestation de la partie qui confère l'usage, dans les contrats portant sur l'usage d'une chose ou d'un droit;
- c. la prestation de service dans le mandat, le contrat d'entreprise et d'autres contrats de prestation de service;
- d. la prestation du dépositaire, dans le contrat de dépôt;
- e. la prestation du garant ou de la caution, dans les contrats de garantie ou de cautionnement.

Art. 117 Omessa scelta del diritto applicabile

<sup>1</sup> Se le parti non hanno scelto il diritto applicabile, il contratto è regolato dal diritto dello Stato con il quale è più strettamente connesso.

<sup>2</sup> Si presume che la connessione più stretta sia quella con lo Stato in cui la parte che deve eseguire la prestazione caratteristica ha la dimora abituale o, se ha concluso il contratto in base a un'attività professionale o commerciale, in cui ha la stabile organizzazione.

<sup>3</sup> È segnatamente prestazione caratteristica:

- a. nei contratti di alienazione, la prestazione dell'alienante;
- b. nei contratti di cessione d'uso, la prestazione della parte che cede l'uso di una cosa o di un diritto;
- c. nel mandato, nell'appalto o in analoghi contratti di prestazione di servizi, la prestazione del servizio;
- d. nei contratti di deposito, la prestazione del depositario;
- e. nei contratti di garanzia o fideiussione, la prestazione del garante o fideiussore.

Art. 117 Failing a choice of law

<sup>1</sup> Failing a choice of law, contracts are governed by the law of the state with which they have the closest connection.

<sup>2</sup> Such a connection is deemed to exist with the state of the habitual residence of the party having to perform the characteristic obligation or, if the contract is entered into in the course of a professional or business activity, with the state of such party's place of business.

<sup>3</sup> Characteristic obligation means in particular:

- a. in contracts for the transfer of property: the transferor's obligation;
- b. in contracts pertaining to the use of property or of a right: the obligation of the party conferring such use;
- c. in contracts of mandate, contracts for work and other contracts to perform services: the service obligation;
- d. in contracts of deposit: the obligation of the depository;
- e. in guarantee or suretyship agreements: the obligation of the guarantor or surety

Art. 129

Art. 129 Zuständigkeit

<sup>1</sup> Für Klagen aus unerlaubter Handlung sind die schweizerischen Gerichte am Wohnsitz des Beklagten oder, wenn ein solcher fehlt, diejenigen an seinem

gewöhnlichen Aufenthaltsort zuständig. Überdies sind die schweizerischen Gerichte am Handlungs- oder Erfolgsort sowie für Klagen aufgrund der Tätigkeit einer Niederlassung in der Schweiz die Gerichte am Ort der Niederlassung zuständig.

#### Art. 129 Compétence

<sup>1</sup> Les tribunaux suisses du domicile ou, à défaut de domicile, ceux de la résidence habituelle du défendeur sont compétents pour connaître des actions fondées sur un acte illicite. Sont en outre compétents les tribunaux suisses du lieu de l'acte ou du résultat et, pour connaître des actions relatives à l'activité de l'établissement en Suisse, les tribunaux du lieu de l'établissement.

#### Art. 129 Competenza

<sup>1</sup> Per le azioni derivanti da atto illecito sono competenti i tribunali svizzeri del domicilio o, in mancanza di domicilio, della dimora abituale del convenuto. Inoltre sono competenti i tribunali svizzeri del luogo dell'atto o dell'evento e, per le azioni concernenti l'attività di una stabile organizzazione in Svizzera, i tribunali della sede di tale organizzazione.

#### Art. 129 Jurisdiction

<sup>1</sup> Swiss courts at the domicile or, failing a domicile, those at the habitual residence or place of business of the defendant have jurisdiction to entertain actions in tort.

<sup>2</sup> When the defendant has neither a domicile nor a habitual residence or place of business in Switzerland, the action may be brought before the Swiss court at the place where the act or the result occurred.

<sup>3</sup> If several defendants may be sued in Switzerland and if the claims are essentially based on the same facts and the same legal grounds, the action may be brought against all of them before the same court having jurisdiction; the court before which the case was first brought has exclusive jurisdiction.

### Art. 136

#### Art. 136 Unlauterer Wettbewerb

<sup>1</sup> Ansprüche aus unlauterem Wettbewerb unterstehen dem Recht des Staates, auf dessen Markt die unlautere Handlung ihre Wirkung entfaltet.

<sup>2</sup> Richtet sich die Rechtsverletzung ausschliesslich gegen betriebliche Interessen des Geschädigten, so ist das Recht des Staates anzuwenden, in dem sich die betroffene Niederlassung befindet.

<sup>3</sup> Artikel 133 Absatz 3 ist vorbehalten.

#### Art. 136 Concurrence déloyale

<sup>1</sup> Les prétentions fondées sur un acte de concurrence déloyale sont régies par le droit de l'Etat sur le marché duquel le résultat s'est produit.

<sup>2</sup> Si l'acte affecte exclusivement les intérêts d'entreprise d'un concurrent déterminé, le droit applicable sera celui du siège de l'établissement lésé.

<sup>3</sup> L'art. 133, al. 3, est réservé.

#### Art. 136 Concorrenza sleale

<sup>1</sup> Le pretese derivanti da concorrenza sleale sono regolate dal diritto dello Stato sul cui mercato si esplicano gli effetti dell'atto sleale.

<sup>2</sup> Se la lesione concerne esclusivamente gli interessi aziendali del danneggiato, si applica il diritto dello Stato in cui si trova la stabile organizzazione interessata.

<sup>3</sup> È fatto salvo l'articolo 133 capoverso 3.

Art. 136 Unfair competition

<sup>1</sup> Claims based on a tort of unfair competition are governed by the law of the state in whose market the result occurred.

<sup>2</sup> If the tort injures exclusively the business interests of a specific competitor, the applicable law is that of the injured firm's registered office.

<sup>3</sup> The above provisions do not affect Article 133(3).

(no official Swiss law)

ART. 27

Artikel 27 VOM SCHIEDSGERICHT ERNANNTEN SACHVERSTÄNDIGEN

<sup>1</sup> Das Schiedsgericht kann nach Konsultation der Parteien einen oder mehrere Sachverständige bestellen, die ihm über die vom Schiedsgericht genau bezeichneten Punkte schriftlich zu berichten haben. Eine Abschrift des dem Sachverständigen vom Schiedsgericht erteilten Auftrags ist den Parteien zu übermitteln.

<sup>2</sup> Die Parteien haben dem Sachverständigen alle sachdienlichen Auskünfte zu erteilen oder ihm alle erheblichen Schriftstücke oder Waren zur Untersuchung vorzulegen, die er von ihnen verlangt. Jede Meinungsverschiedenheit zwischen einer Partei und dem Sachverständigen über die Erforderlichkeit der verlangten Auskunft oder Vorlage ist dem Schiedsgericht zur Entscheidung vorzulegen.

<sup>3</sup> Nach Erhalt des Berichts des Sachverständigen hat das Schiedsgericht den Parteien Abschriften dieses Berichts zu übersenden und ihnen die Möglichkeit zu geben, zu dem Bericht schriftlich Stellung zu nehmen. Die Parteien sind berechtigt, jedes Schriftstück zu prüfen, auf das sich der Sachverständige in seinem Bericht berufen hat.

<sup>4</sup> Auf Antrag einer der Parteien kann der Sachverständige nach Ablieferung seines Berichts in einer mündlichen Verhandlung gehört werden, in der die Parteien anwesend sein und dem Sachverständigen Fragen stellen können. Zu dieser Verhandlung können die Parteien sachverständige Zeugen beibringen, die zu den streitigen Fragen aussagen sollen. Artikel 25 ist auf dieses Verfahren anzuwenden.

<sup>5</sup> Die Bestimmungen von Artikel 9 sind auf vom Schiedsgericht ernannte Sachverständige analog anwendbar.

Article 27 EXPERTS NOMMES PAR LE TRIBUNAL

<sup>1</sup> Le tribunal arbitral peut, après consultation des parties, nommer un ou plusieurs experts chargés de lui faire rapport par écrit sur les points précis qu'il déterminera. Une copie du mandat de l'expert, tel qu'il a été fixé par le tribunal arbitral, sera communiquée aux parties.

<sup>2</sup> Les parties fournissent à l'expert tous renseignements appropriés ou soumettent à son inspection toutes pièces ou toutes choses pertinentes qu'il pourrait leur demander. Tout différend s'élevant entre une partie et l'expert au sujet du bien-fondé de la demande sera soumis au tribunal arbitral, qui tranchera.

<sup>3</sup> Dès réception du rapport de l'expert, le tribunal arbitral communique une copie du rapport aux parties, lesquelles auront la possibilité de formuler par écrit leur opinion à ce sujet. Les parties ont le droit d'examiner tout document invoqué par l'expert dans son rapport.

<sup>4</sup> À la demande de l'une ou l'autre des parties, l'expert, après la remise de son rapport, peut être entendu à une audience à laquelle les parties ont la possibilité d'assister et de l'interroger. À cette audience, l'une ou l'autre des parties peut faire venir en qualité de témoins des experts qui déposeront sur les questions litigieuses. Les dispositions de l'article 25 sont applicables à cette procédure.

<sup>5</sup> Les dispositions de l'article 9 s'appliquent par analogie à tout expert nommé par le tribunal arbitral.



#### Articolo 27 PERITI NOMINATI DAL TRIBUNALE

<sup>1</sup> Il tribunale arbitrale, sentite le parti, può nominare uno o più periti per ottenere la relazione scritta di questi su questioni specifiche che il tribunale deve determinare. Una copia dell'incarico conferito al perito, predisposto dal tribunale arbitrale, è comunicata alle parti.

<sup>2</sup> Le parti forniscono al perito tutte le informazioni rilevanti e gli consegnano per ispezione tutti i documenti o beni rilevanti che questi richieda loro. Qualsiasi controversia tra una parte e il perito in merito alla rilevanza dell'informazione o della produzione richiesta è risolta con decisione del tribunale arbitrale.

<sup>3</sup> Dopo aver ricevuto la relazione peritale, il tribunale arbitrale ne comunica una copia alle parti, che hanno la possibilità di esprimere, per iscritto, la loro opinione al riguardo. Ciascuna parte ha il diritto di esaminare ogni documento sul quale si è basato il perito nella propria relazione.

<sup>4</sup> Dopo la consegna della relazione peritale, su richiesta di una delle parti, il perito può essere sentito ad un'udienza alla quale le parti hanno la possibilità di partecipare e di interrogare il perito. In occasione di tale udienza, ciascuna parte può presentare i propri periti per testimoniare sui punti controversi. Le disposizioni dell'articolo 25 sono applicabili a tale procedura.

<sup>5</sup> Le disposizioni dell'articolo 9 sono applicabili per analogia a qualsiasi perito nominato dal tribunale arbitrale.

#### Artide 27 TRIBUNAL-APPOINTED EXPERTS

<sup>1</sup> The arbitral tribunal, after consulting with the parties, may appoint one or more experts to report to it, in writing, on specific issues to be determined by the tribunal. A copy of the expert's terms of reference, established by the arbitral tribunal, shall be communicated to the parties.

<sup>2</sup> The parties shall give the expert any relevant information or produce for his inspection any relevant documents or goods that he may require of them. Any dispute between a party and such expert as to the relevance of the required information or production shall be referred to the arbitral tribunal for decision.

<sup>3</sup> Upon receipt of the expert's report, the arbitral tribunal shall communicate a copy of the report to the parties who shall be given the opportunity to express, in writing, their opinion on the report. A party shall be entitled to examine any document on which the expert has relied in his report.

<sup>4</sup> At the request of either party the expert, after delivery of the report, may be heard at a hearing where the parties shall have the opportunity to be present and to interrogate the expert. At this hearing either party may present expert witnesses in order to testify on the points at issue. The provisions of Article 25 shall be applicable to such proceedings.

<sup>5</sup> The provisions of Article 9 shall apply by analogy to any expert appointed by the arbitral tribunal.

## The United Kingdom

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

There is no general legislation specifically providing protection for the protection of trade secrets in the UK. Trade secrets are more generally protected by the English common law<sup>122</sup> of confidence. However a number of pieces of legislation do indirectly contain rights or obligations for those who may hold certain secret or private information in certain circumstances.<sup>123</sup>

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided.

English law does not contain a generally applicable definition of "trade secrets".

Under s43(2) Freedom of Information Act 2000<sup>124</sup> a "trade secret" is defined as information where *"its disclosure under this Act would, or would be likely to, prejudice the commercial interests of any person (including the public authority holding it)"*. This is the only statutory definition of "trade secret" as such.

"Trade secrets" more commonly arises as a form of "confidential information", protection for which is available under the law of equity. Under the English common law, where an obligation of confidence exists, the disclosure of confidential information in breach of that obligation is actionable (see below).

If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

As set out above and explained in more detail in the response to question A(3) below, "trade secrets" are generally protected as "confidential information" under the common law. In order for trade secrets to be protected they must have the *"necessary quality of confidence"*.<sup>125</sup>

Information will have this *"necessary quality of confidence"* where it is not something which is *"public property and public knowledge"*.<sup>126</sup> It is generally considered that the law of confidential information will not protect trivial day-to-day gossip or useless information, but information such as pricing data, lists of customers etc will generally meet the threshold for protection.<sup>127</sup>

Not all documents described as "confidential" will be confidential information. In other words, marking a document as "confidential" will not automatically make it confidential

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<sup>122</sup> The UK encompasses four different legal systems, the law of England, Wales, Scotland and Northern Ireland. English and Welsh law on this issue is the same. To the best of our knowledge, Northern Irish and Scottish law on this issue are also materially identical to the common law of England and Wales, however we do not here advise on Welsh, Northern Irish or Scottish law.

<sup>123</sup> This includes: The Computer Misuse Act 1990, The Official Secrets Act 1989, The Data Protection Act 1998, The Human Rights Act 1998 and The Freedom of Information Act 2000

<sup>124</sup> <http://www.legislation.gov.uk/ukpga/2000/36/section/43>

<sup>125</sup> *Coco v A N Clark (Engineers) Ltd* (1969) RPC 41; (High Court)

<sup>126</sup> *Saltman Engineering Co Limited v Campbell Engineering Co Limited* (1948) 65 RPC 203; (Court of Appeal)

<sup>127</sup> *Faccenda Chicken v Fowler* (1985) FSR 105; (High Court)

information and subject to the protections of English law. Equally, an unmarked document can constitute confidential information but this will depend upon the information and the circumstances in which it is imparted (see below).

Further guidance has been given by the English courts in the context of employment relationships. The High Court in *Faccenda Chicken Ltd v Fowler (1984)*<sup>128</sup> identified three forms of information which employees may be required to keep confidential following their employment, even where an employment contract contained no express confidentiality provision (see response to question A(3)(b) and B(10) below for further details).

The Court held that some information which is confidential will become part of the employees own skill and knowledge such that following employment (save for any contractual provision to the contrary) the employee would not be restricted from using this information. However the court drew a distinction with "trade secrets", which even though the employee may have learnt by heart, they may not, even after termination of the employment contract, use the information for anyone's benefit except that of the employer.

The decision in *Faccenda Chicken* was appealed to the Court of Appeal.<sup>129</sup> The Court of Appeal upheld the High Court decision and provided a non-exhaustive list of factors which can be used to determine whether a piece of information falls within the third category of "trade secrets". The factors included:

- The nature of the employment - Employment in a capacity where confidential information was habitually handled might impose a higher obligation of confidentiality because the employee could be expected to receive such material.
- The nature of the information - Information which can be classed as a trade secret would be protected. The court gave the example of a secret process of manufacture although they highlighted that there could be many other forms of information capable of being trade secrets.
- Whether the employer had impressed on the employee the confidentiality of the information - The manner in which the employer treats the information is important.
- Whether the information can be easily isolated from other information which the employee is free to use or disclose.

A number of other cases relating to the protection of confidential information in employer / employee relationships have attempted to distinguish "trade secrets" as a distinct subset of confidential information. For example, in *Lansing Linde Ltd v Kerr (1991)*<sup>130</sup> Staughton LJ defined a trade secret as information:

- Used in a trade or business;
- Which if disclosed to a competitor would be liable to cause real (or significant) damage to the owner of the secret;
- In respect of which the owner has sought to limit its dissemination or at least has not encouraged or permitted widespread publication.

In *Printers & Finishers Ltd v Holloway (1965)*<sup>131</sup> the High Court indicated that the test for determining whether a piece of information is a trade secret is whether a man of average intelligence and honesty would think that there was anything improper in his putting his memory of the matters in question at the disposal of his new employers.

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<sup>128</sup> FSR 105 (High Court)

<sup>129</sup> *Faccenda Chicken Ltd v Fowler* (1987) Ch 117; (Court of Appeal)

<sup>130</sup> (1999) EWHC 848 (Court of Appeal); <http://www.bailii.org/ew/cases/EWHC/Ch/1999/848.html>

<sup>131</sup> RPC 239; (High Court)

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Trade secrets (as confidential information) can be protected either under the law of confidentiality or through contractual agreements between parties preventing the disclosure of such confidential information.

*(i) The law of equity - duty of confidentiality*

Trade secrets may be protected as a subset of confidential information by the law of equity. The equitable law of confidentiality may arise whether or not the parties have a contractual relationship. In order to assert rights in confidential information it is necessary to show both that (i) the information is protected by the laws of confidentiality; and (ii) that the use of the information by a third party is in breach of those rights.

The principal of confidentiality can be traced back to the High Court case of *Prince Albert v Strange (1840)*<sup>132</sup>. However, the accepted modern exposition of the law of confidentiality is set out in *Coco v A N Clark (Engineers) Ltd (1969)*<sup>133</sup> which sets out the following criteria for determining whether information is protected by the law of confidence:

- (a) The information must have the "*necessary quality of confidence*";
- (b) The information must have been "*imparted in circumstances importing an obligation of confidence*" upon the recipient; and
- (c) There must be unauthorized "*use of the information to the detriment of the party communicating it*".

As set out in respect of question 2 above, information will have the necessary quality of confidence where the information is not public property or public knowledge. Decisions in the English courts have shown that various forms of commercial information or trade secrets may possess the necessary quality of confidence. This has included:

- R&D information;
- Customer lists;
- Technical drawings and designs;
- Prototypes; and
- Source code for computer software.

An obligation of confidentiality may arise in a variety of circumstances. However, the most common are:

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<sup>132</sup> 41 ER 1171; (High Court); <http://www.bailii.org/ew/cases/EWHC/Ch/1849/J20.html>

<sup>133</sup> RPC 41; (High Court)

- (a) a duty of confidentiality based on express contractual provisions (which may also give rise to a contractual claim- see section (ii) below);
- (b) a duty of confidentiality which is implied from the circumstances of the disclosure (for example, during the course of sensitive negotiations); or
- (c) a duty of confidentiality which is implied from the special relationship between the parties which a reasonable person would regard as involving a duty of confidentiality (for example between employee and employer).

The court in *Coco v Clark* stated that when considering whether an obligation arises it is necessary to consider whether "*a reasonable man standing in the shoes of the recipient of the information would have realized that upon reasonable grounds the information was being given to him in confidence*". The duty of confidence may therefore arise regardless of whether a contractual agreement as to confidentiality has been entered into. However, an express provision dealing with confidentiality within a contract will not only create a contractual duty of confidentiality (see below) but will likely demonstrate the necessary circumstances of confidentiality to establish a co-existing equitable duty of confidentiality.

As well as establishing a duty of confidentiality through a contractual relationship between the parties, English courts have recognized that certain special relationships will likely create a duty of confidentiality. In respect of the protection of trade secrets, the most common relationship where a duty of confidentiality is likely to arise is between an employee and their employer. A more detailed discussion of the protection of confidential information in the employer/employee relationship is set out in response to question B(10).

#### *(ii) Law of Contract*

As well as the equitable duty of confidentiality, trade secrets may also be protected via contractual arrangements limiting the ability of parties to use and disclose certain information outside of the contract. In respect of trade secrets, the most common way to obtain protection is via non-disclosure agreements ("NDA") or similar contractual restrictions. NDA's are commonly used in a variety of contexts including during licence or transaction negotiations or as part of employment contracts restricting the use of confidential information both during and after termination of employment.

The parties are free to determine what information is "confidential" for the purposes of the contract and therefore what information the parties are restricted from disseminating or for using for purposes outside of the contract. However classifying the information as "confidential" within a contract does not create a duty of confidentiality in equity (see above).

Any dissemination or unauthorized use of the information restricted by the contract or NDA will result in a claim for breach of contract. It is possible that if the information involved has the "necessary quality of confidence" it will also constitute a breach of the equitable duty of confidence but this is not necessarily the case.

One of the most common contractual arrangements regarding the treatment of trade secrets and confidential information is between an employer and its employee. As well as the employer having an equitable right to restrict the use of confidential information by its employees due to the "special relationship" between the parties, the vast majority of English law governed employment contracts will contain some form of confidentiality provision which in this case would apply to trade secrets.

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Trade secrets are generally considered to be a form of intangible intellectual property. It however remains debatable whether trade secrets, and confidential information more generally, can be classed as an "intellectual property right" as such under English law as their protection requires the existence of a contractual or equitable duty of confidence, a material difference from other forms of intellectual property right (such as trade marks, copyright or patents).

Confidential information involves information about a fact or idea - however a mere fact or private idea is not susceptible of ownership. Therefore the debate appears to be falling on the side of classing confidential information as an equitable right rather than a right in property per se. The basis for this is most acutely demonstrated when considering "innocent" breaches of confidence.

If confidentiality is based on equitable principles then liability will only arise where the recipient of the confidential information has knowledge that it is confidential in nature. This is the current status of English common law - if the recipient is not aware of the confidential nature of the information then they cannot be liable for breach of confidence, although as soon as they are notified it is likely that the duty of confidentiality would arise.<sup>134</sup> If, however, confidential information is treated as a property right then the use of that information would be based on the tort of infringement of property (analogous to conversion) and a third parties lack of knowledge would be no defense.

In *Douglas v Hello (No.3)*<sup>135</sup> the English Court of Appeal held that whilst the claimants had a right to control pictorial information about their wedding because it was a private event, this was based on a right to privacy rather than the claimants having a proprietary right in the information itself. This decision again indicates the modern view that trade secrets do not constitute intellectual property rights per se.

Nevertheless, in practice in the UK, trade secrets and confidential information are commonly treated as property rights in a commercial context. It is common for example for assignments of intellectual property rights between parties to include an assignment of "trade secrets" and "confidential information". However, whilst this agreement purports to transfer ownership it is in reality providing access to the protected information as, in many cases, no identifiable rights change hands.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

As set out above, "trade secrets" are not defined under English law but fall within the general protection of the law of confidentiality.

In order for a piece of information to be protected under the equitable duty of confidentiality, it must have a "quality of confidence". This quality may arise in any forms of information including trade secrets, manufacturing technology, commercial know how and customer lists.

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<sup>134</sup> *Printers & Finishers Ltd v Holloway* (1965) RPC 239; (High Court)

<sup>135</sup> *Douglas & Ors v Hello! Ltd. & Ors* (2003) EWHC 55; (Court of Appeal)  
<http://www.bailii.org/ew/cases/EWHC/Ch/2003/55.html>

A contractual restriction on the use of certain information may extend beyond information which would be classed as "confidential" under the law of equity. Parties may agree to keep information confidential under contract even if the information is publically available or well-known (where an equitable duty of confidence would not arise). However here protection is provided based on breach of confidence rather than any equitable right.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

Whilst English law does not provide for specific rules relating to trade secrets per-se, the law of confidentiality has developed sufficiently to offer protection in most commercial situations where sensitive information is imparted. In conjunction with the contractual protections afforded by non-disclosure agreements the breach of confidence regime in the UK provides significant protections for trade secrets and there is not, to our knowledge, any particular inadequacy or call for change in the UK. We are not aware of any current proposals for new legislation in relation to trade secrets or confidential information.

One particular difficulty we envisage with harmonization in this area is defining "trade secret". Too specific a definition adds nothing to the existing law and protections in the UK. Defining it too broadly risks bringing too much information within its scope.

It is also argued that the English law protection for confidential information provides broadly the same protections as required by Article 39.2 TRIPS Agreement which reads as follows: "Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination of which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use."

The *AIPPI UK working group's response to Question 215 on "Protection of trade secrets through IPR and unfair competition law" in April 2010* similarly concluded that the flexible definition of "confidential information" under English law was in fact beneficial to the protection of trade secrets and a more rigid definition would not be desirable.

We have detailed below a number of methods and business practices in response to question B (12) below. However, these are not peculiar to the UK and would likely be applicable in all European jurisdictions.

There are also no present proposals for further legislation relating specifically to trade secrets.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Case	Principles Applicable to protection of trade secrets
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<p><i>Prince Albert v Strange</i> (1849) 1 De G. &amp; Sm 652<sup>136</sup> (High Court)</p>	<p>The decision in Prince Albert v Strange is considered to be a landmark in the early development of what is now known as the law of breach of confidence.</p> <p>The facts of the case were that Prince Albert and Queen Victoria had made a series of etchings and employed a printer to make copies from copper plates. The copies were disclosed to the defendant who proposed to exhibit copies of the etchings in a gallery.</p> <p>The Court held that the claimant would have been entitled to an injunction as the etchings had come into the hands of the Defendant through a breach of trust.</p>
<p><i>Saltman Engineering Co Limited v Campbell Engineering Co Limited</i> (1948) 65 RPC 203 (Court of Appeal)</p>	<p>The facts of the case were that C was provided with drawings to enable the manufacture of tools. C used the drawings to have the tools manufactured for itself. The Court of Appeal established that whilst the manufacturing contract had been between C and another company (Monarch Engineering), S (who had no contract with C) owned the drawings which contained confidential data. Due to the circumstances of the disclosure of the information a duty of confidentiality arose despite the parties having no direct contractual relationship.</p> <p>The court further held that for information to be confidential, the information must "<i>have the necessary quality of confidence about it, namely it must not be something which is public property and public knowledge</i>".</p>
<p><i>Seager v Copydex (No. 1)</i> (1967) 1 WLR 923 (Court of Appeal)</p>	<p>The facts of the case are as follows. S was in negotiations with C relating to the licensing of a patented invention. The parties failed to come to an agreement. During the negotiations S had voluntarily disclosed an alternative (non-patented) design by C said they were not interested. C then developed a product similar to this alternative product.</p> <p>The court held that C owed a duty of confidentiality to S in respect of the second product even though there was no express agreement relating to it.</p>
<p><i>Coco v Clark</i> (1969) RPC 41 (High Court)</p>	<p>The judgment of Megarry J set out the key features for breach of confidence and this is considered to be the leading authority today in the UK:</p> <ul style="list-style-type: none"> <li>i. the information must have the necessary quality of confidence about it;</li> <li>ii. the information must be imparted in circumstances importing an obligation of confidence;</li> <li>iii. there must be unauthorised use of that information to the detriment of the person communicating it.</li> </ul> <p>Trade secrets are considered to form part of the wider category of confidential information and are protected under the law of confidentiality set out in <i>Coco v Clark</i>.</p>
<p><i>Faccenda Chicken v Fowler</i> (1985) (1987) Ch 117</p>	<p>The Court of Appeal provided guidance on what forms of information obtained by an employee during the course of their employment and whether these could be subject to the</p>

<sup>136</sup> <http://www.bailii.org/ew/cases/EWHC/Ch/1849/J20.html>



(Court of Appeal)	<p>rules of confidentiality. The Court identified three categories of information:</p> <p>(a) information which, because of its trivial nature or easy accessibility from public sources, cannot be regarded by a reasonable person as confidential;</p> <p>(b) information which the employee had to treat as confidential but, once they had learned that information, it necessarily remained in the employee's head and became part of his own skill and knowledge; and</p> <p>(c) specific trade secrets so confidential that they cannot lawfully be used for anyone's benefit but the employer.</p> <p>The Court held that information in category (a) could not be protected, information in category (b) would not be protected unless there was a specific contractual restriction; and information in category (c) could be protected irrespective of whether there were contractual restrictions in the employment contract.</p> <p>The court considered a number of non-exhaustive factors which could show that information fell within category (c) and therefore received the highest protection: (i) the nature of the employment; (ii) the nature of the information; (iii) did the employer impress upon the employee the confidentiality of the information; and (iv) can the information be easily isolated from other information that the employee is free to use.</p>
<i>English &amp; American Insurance Co Limited v Herbert Smith &amp; Co (1988) FSR 232 (High Court)</i>	<p>A duty of confidentiality may arise even though no direct relationship exists between the parties in circumstances where the recipient is aware or should be aware that the information is confidential.</p> <p>This can be the case even where the recipient is an entirely innocent recipient of the information (as was the case here where Herbert Smith received privileged papers from counsel for the other side in a pending action).</p>
<i>Terrapin v Builder's Supply Company (1967) RPC 375 (High Court)</i>	<p>The case concerned confidential design drawings for portable buildings. The defendants had obtained this information without authorisation and used it to gain a head start on production of portable buildings to the design.</p> <p>The information was subsequently published. Nevertheless the court granted an injunction against the defendants preventing them from further using the information for a specific period. This is known as a "springboard injunction" and compensates for the head start gained.</p>
<i>Attorney General v Guardian Newspapers (No.2) ("Spycatcher") (1990) 1 AC 109 (House of Lords)</i> <sup>137</sup>	<p>Lord Goff provided a detailed exposition of the law of confidence in a commercial context:</p> <p><i>"I start with the broad general principle .... that a duty of confidence arises when confidential information comes to the knowledge of a person (the confidant) in circumstances where he has noticed, or is held to have agreed, that the information is confidential, with the effect that it would be just in all the circumstances that he should be precluded</i></p>

<sup>137</sup> <http://www.bailii.org/uk/cases/UKHL/1988/6.html>

	<p><i>from disclosing the information to others. In the vast majority of cases, in particular those concerned with trade secrets, the duty of confidence will arise from a transactional relationship between the parties, often a contract, in which even the duty may arise by reason of either an expressed or an implied term of that contract.....</i></p> <p><i>To this broad general principle, there are three limited principles. First, the principle of confidentiality only applies to information to the extent that it is confidential. Second the duty of confidence applies neither to useless information, nor to trivia [and third,] where disclosure is required in the public interest....It does not however follow that the public interest will in such cases require disclosure to the media."</i></p>
<p><i>Vestergaard Frandsen A/S and others v Bestnet Europe Limited and others (2009) EWHC 657 (High Court)</i><sup>138</sup></p>	<p>The High Court held that the principles laid down in Faccenda Chicken (above) also apply to a consultant. The High Court upheld a claim for breach of confidence relating to confidential information held in a database.</p> <p>The information was initially misappropriated by ex-employees but the court held that a consultant, initially engaged by the claimants but who later worked with the defendants to produce a competing product, was subject to an express and implied obligation of confidence. This duty continued after the consultant's relationship with the claimants had ceased and the Court held that the position of the consultant should be treated as analogous to that of an ex-employee applying the principles in Faccenda Chicken.</p>

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

The key texts on trade secrets and confidential information are:

- The Law on Confidentiality: A Restatement, P. Stanley; Hart Publishing [2008]
- Confidentiality, R. G. Toulson and C. M. Phipps; 2<sup>nd</sup> edition; Sweet & Maxwell [2006]
- Employment Covenants and Confidential Information, K. Brearley and S. Bloch; 3rd edition; Tottel Publishing [2009]
- Stanley P., The Law of Confidentiality - a Restatement, Hart Publishing

We have also considered the following studies:

- International Chamber of Commerce, Current and emerging intellectual property issues for business, Tenth Edition 2010
- Protection of trade secrets through IPR and unfair competition law: UK response to Question Q215, AIPPI, Anderson R, Browne M, Coates I, Cook T, Cookson B, Edenborough M, Harrold L, Ridgway M, Turner S, Watts J, April 2010
- Report on Trade Secrets for the European Commission, Hogan Lovells International LLP, September 2011
- Hunt, C., Rethinking surreptitious takings in the law of confidence, Intellectual Property Quarterly, 2011, 66-85

<sup>138</sup> <http://www.bailii.org/ew/cases/EWHC/Ch/2009/657.html>

- Trade Secrets & Innovation Coalition, Comments for the consultation on the commission report on the enforcement of intellectual property rights, March 2011

There are very few surveys or studies which have been carried out in this area, however in 1997 the Law Commission published a consultation paper which addressed whether there should be a criminal regime for the punishment of trade secrets violations:

- Law Commission, Legislating the Criminal Code: Misuse of Trade Secrets consultation paper, November 1997<sup>139</sup>

The proposals contained in the consultation paper were never adopted and there has been no further serious discussion of this issue by the Law Commission or any other legislative advisory bodies since this paper was published.

The following articles provide useful background:

- Wadlow, C., Bugs, spies and paparazzi: jurisdiction over actions for breach of confidence in private international law, *European Intellectual Property Review*, 2008, 30(7), 269-279
- Wadlow C., Trade Secrets under Rome II Regulation on the law applicable to non-contractual obligations, *European Intellectual Property Review*, 2008 30(8), 309-319
- Cook, T., Protecting Confidential Information: Overview, PLC<sup>140</sup>
- Wilkinson D and Tillett C, Trade Secrets: protecting a valuable asset, PLC, April 2009<sup>141</sup>
- Conaglen M., Thinking about proprietary remedies for breach of confidence, *Intellectual Property Quarterly*, 2008, 1, 82-109
- Carty H., An analysis of the modern action for breach of commercial confidence: when is protection merited?, *Intellectual Property Quarterly*, 2008, 4, 416-455
- Anderson R., Turner S., Keeping Secrets, No 172 *Managing Intellectual Property* 45, 2007
- Hagel F., Trade Secrets as part of the Intellectual Property Toolbox, *Intellectual Property Magazine*, September 2010, 52-56
- Hagel F., Trade Secrets as part of the Intellectual Property Toolbox (part 2), *Intellectual Property Magazine*, October 2010, 23-26
- Thornton P., Shaw A., Abbott P., Preventing misuse of leaked confidential information, PLC, November 2009

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

In order for the holder of confidential information to commence legal proceedings it will firstly be necessary to establish that the three key limbs of the test set out in *Coco v Clark*<sup>142</sup> (see above) are satisfied.

Once it has been established that the trade secret has the quality of confidence and has been imparted in circumstances of confidence it is necessary to also demonstrate that the trade secret has been misused. This typically manifests itself as the disclosure of that information to an unauthorized third party. However, misuse can occur in other

<sup>139</sup>[http://www.justice.gov.uk/lawcommission/docs/cp150\\_Legislating\\_the\\_Criminal\\_Code\\_\\_Misuse\\_of\\_Trade\\_Secrets\\_Consultation.pdf](http://www.justice.gov.uk/lawcommission/docs/cp150_Legislating_the_Criminal_Code__Misuse_of_Trade_Secrets_Consultation.pdf)

<sup>140</sup> <http://uk.practicallaw.com/8-384-4456>

<sup>141</sup> <http://uk.practicallaw.com/4-385-1496>

<sup>142</sup> *Coco v A N Clark (Engineers) Ltd* (1969) RPC 41; (High Court)

circumstances, for example, where the information is used by a third party otherwise than for the benefit of the rights holder.

## 2. What civil remedies are made available? Are the remedies cumulative?

The right to sue for a breach of confidence is a common law right and so the typical civil remedies under English law may be available. They include the following:

- *Final Injunction / Interim Injunction* - The owner of a trade secret which is protected as confidential information may be granted a final injunction for breach of confidence (whether the claim is arising in contract or from an equitable breach of confidence). They may also be granted a *quia timet* injunction to prevent threatened breaches of confidence. The granting of an injunction is an equitable remedy and so it is at the discretion of the court whether it is granted, on what terms and for what duration. This is the case for both final injunctions and interim relief. Details of the availability of interim injunctions are discussed further in response to question 4 below. As this is an equitable remedy the court will take into account all circumstances of the case. For example, if disclosure of a trade secret has already been made and is now widely available to the public there may be no benefit in granting an injunction (although the court may consider the so-called "springboard doctrine" - see below).
- *Destruction or delivery up* - The court has the power to order delivery up or destruction of material containing confidential information (such as trade secrets) or derived from the use of those trade secrets. This power is discretionary but will usually be granted, especially if a defendant cannot be relied upon to destroy the articles and can be requested both for breaches of the equitable duty of confidence and a breach of contract.
- *Damages* - Damages are available as a common law remedy for breach of a contractual duty of confidence (i.e. in circumstances where the duty of confidence results from the contractual relationship between the parties) or for breach of the equitable duty of confidentiality. This will often be the case where the breach of confidence has occurred following a commercial negotiation or in breach of a non-disclosure agreement.
- *Account of Profits* - This is a restitutionary equitable remedy intended to deprive the wrongdoer of the benefit they have received as a result of a breach. As an equitable remedy it is within the court's discretion to award instead of damages. It is only possible to elect either damages or an account of profits - the court will not award both. In respect of claims for breach of confidence a claimant is more likely to seek damages than an account of profits.

## 3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain ex parte orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

It is in theory possible for a party to seek a civil search order (previously known as an Anton Pillar order) in relation to a breach of confidentiality. A search order, if granted, allows that party to (i) enter premises; and (ii) search for, copy, remove and detain documents, information and materials.

Search orders have been used in relation to breach of confidence claims (although they are more commonly used in relation to other forms of IP dispute). The basis of a search order is not to obtain evidence but to preserve information, documents or materials

which are at risk of being destroyed or dissipated should a full civil action be commenced. Search orders are therefore generally filed ex parte without notice to the potential defendant.

A search order will identify specified premises which may be searched and the form of items that may be removed for preservation (such as documents, computer records and files or chattels).

In order to successfully obtain a search order it will be necessary for the claimant to show that:

- There is "an extremely strong prima facie case";<sup>143</sup>
- The defendant's actions have resulted in very serious potential or actual damage to the claimant's interests; and
- There is clear evidence that the "incriminating documents or things" are in the defendant's possession and there is a "real possibility" that the defendant may destroy or dispose of the material before an application can be made on notice.

These requirements tend to set a high bar for claimants to overcome and so search orders are only likely to be available in exceptional circumstances, especially where the claim is based on breach of confidence.

A search order cannot be used as a "fishing expedition" to determine whether, for example, a party has breached confidential information or misused a trade secret. Therefore, there must be more than a suspicion of a claim for breach of confidence - the purpose of the search order is to preserve evidence of that breach rather than to identify evidence which may show it took place. In addition, the mere fact that it would be in a defendant's interest to destroy evidence or materials is not sufficient to show a "real possibility" - there must be other hard evidence which is usually based on prior conduct or prior infringements.

Finally, the court has a discretion to consider whether the issuing of a search order is likely to be excessive or disproportionate.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

*(i) Interim Injunction*

As set out above, an interim injunction is an equitable and therefore discretionary remedy which the court may apply. An applicant may seek an interim injunction following the unauthorized use of a trade secret or *quia timet*, to prevent threatened breach of confidence.

In typical cases the availability of an interim injunction will depend upon whether the claimant can satisfy the test laid out in *American Cyanamid Co v Ethicon Ltd [1975]*<sup>144</sup>. The court held that they will consider:

- *Whether there is a serious question to be tried.* The claimant does not have to prove that he will succeed in his claim, but that he has real a prospect of success.

<sup>143</sup> Anton Piller KG v Manufacturing Processes Ltd (1976) Ch 55; (Court of Appeal); <http://www.bailii.org/ew/cases/EWCA/Civ/1975/12.html>

<sup>144</sup> AC 396; (House of Lords, now called the Supreme Court) <http://www.bailii.org/uk/cases/UKHL/1975/1.html>

This is a lower threshold than in relation to cases which may trigger Article 10 of the European Convention of Human Rights (see below).

- *Whether the balance of convenience is in favour of granting the order.* If the claimant can show a real prospect of his claim being successful, the court will consider whether the defendant has an arguable defence. If the defendant does, then the court will weigh the balance of convenience of granting an injunction; that is, the potential harm to the defendant if the injunction is granted, against the potential harm to the claimant if the injunction is refused.
- *Status quo.* Where the other factors appear evenly balanced, the court will usually seek to preserve the status quo between the parties.
- *The relative strengths of the case.* The court may have regard to the relative strengths of the parties' claims, but it will not examine the merits of the parties' cases in detail.
- *Special factors.* The criteria in *American Cyanamid* are applied flexibly, and the court will take into account any special factors that arise.

If a defendant raises a defence or is likely to raise a defence based on Article 10 European Convention on Human Rights (the right to freedom of expression) then the Human Rights Act 1998 s12(3)<sup>145</sup> provides that interim relief will not be granted unless the court is satisfied that the applicant is likely to establish at the trial that the publication of the trade secret or confidential information should not be allowed. This will generally require the applicant to satisfy the court that it would probably find that publication should be allowed.

In practice, this will rarely be an issue in relation to the unauthorized use of trade secrets as it is unlikely that Article 10 would be realistically engaged (other than perhaps in a journalistic scenario where a public interest defence is being pleaded by the journalist).

#### (ii) Springboard Doctrine

The decision of the English High Court in *Terrapin v Builders Supply Company(1967)*<sup>146</sup> indicated that the owner of confidential information may also be able to seek an injunction-based remedy notwithstanding the fact that the information is in the public domain as a result of the breach of confidence.

This so called "springboard doctrine" prevents the defendant from using the information further, at least for a specific time and may be appropriate where a commercial competitor has taken a trade secret and obtained a commercial advantage through its misuse<sup>147</sup>.

The recent case of *Vestergaard Frandsen A/s v Bestnet Europe (2009)*<sup>148</sup> questioned whether the "springboard doctrine" remained available in circumstances where the information in question had since come into the public domain. The court held that:

<sup>145</sup> <http://www.legislation.gov.uk/ukpga/1998/42/section/12>

<sup>146</sup> (1967) RPC 375; (High Court)

<sup>147</sup> In *Gerber Garment Technology Inc. v Lectra Systems Ltd* (1997) R.P.C 443 (Court of Appeal) the court held that "springboard" damages could be recovered from a party in a patent litigation matter where they had gained a commercial advantage by using patented technology which had since lost its patent protection. It is arguable that a similar principle could be applied in respect of a breach of confidential information as claimants may seek damages for loss of opportunity due to a breach (although this is not described as "springboard damages").

<sup>148</sup> EWHC 1456; (High Court); <http://www.bailii.org/ew/cases/EWHC/Ch/2009/1456.html>

- The springboard doctrine could apply where information retained some degree of confidentiality even though it may be ascertained through publically available sources. However an injunction granted on this basis would only be for a limited period.
- Where the information was published (whether by the recipient of the information, the holder of the information or an unrelated third party) the equitable duty of confidentiality ceases and accordingly no injunction can be granted to restrain continued misuse of the information.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Final injunctions are equitable remedies and as such the court may determine the terms and duration of the restrictions. It is possible to have a permanent injunction but the court is likely to consider all the circumstances (such as the details of the information taken, the manner in which it was used etc) and may therefore provide for an injunction of limited duration.

Final injunctions are obtained via court proceedings in the English High Court or Patents County Court ("PCC") (see below) and are only granted after the hearing of the substantive trial.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

The PCC is designed to be a streamlined system for hearing intellectual property disputes. As such the court has dispensed with extensive disclosure, witness evidence or expert evidence which reduces both the length of a case and the costs involved. On average a case in the PCC can be heard in 6 to 9 months. The costs vary depending upon the complexity of the case and its individual facts but on average the costs for each party would be in the region of £75,000 - £150,000 or more. However, the rules of the PCC encourage limited costs being expended on cases as the court limits the recovery of costs to only £50,000.

The High Court which is the traditional forum for hearing cases relating to breaches of confidentiality retains the extensive evidence and disclosure requirements. These steps can be extensive in confidentiality cases where it is necessary to demonstrate the unlawful disclosure and the ownership of the confidential information. An emergency interim injunction can be obtained very quickly from the court in circumstances where there is an immediate risk of confidential information being disclosed. However, where a disclosure has taken place cases can take much longer, especially where the court is asked to consider whether a final injunction should be granted.

Typical cases in the High Court can take from 12 - 18 months and can cost between £250,000 and £500,000 per party, with reasonably complex cases likely to cost much more than this.

(d) Are cases involving technical trade secrets heard by specialist judges?

In general cases involving breach of confidence relating to trade secrets will either be heard in (i) the Chancery Division of the English High Court; or (ii) the Patents County Court.

The PCC is a relatively new forum designed to deal with lower value matters and is headed by a respected intellectual property judge, Judge Colin Birss QC. Despite its name, the PCC deals with cases relating to all forms of intellectual property and so may hear breach of confidence matters. However, the court operates a streamlined system with limited opportunity for disclosure and expert evidence. Where technical trade secrets are involved it may be more appropriate for a claim to be brought in the English High Court where expert evidence can be more readily adduced to aid the court.

The High Court has a number of specialist intellectual property judges who may hear breach of confidence/trade secrets cases, but there is no requirement that such cases be heard before a specialist judge and they are often not.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

*(i) Duty of disclosure*

The starting proposition for English courts is that proceedings are open to the public as justice must be seen to be done as well as be done.

During civil proceedings in English courts for breach of confidential information there will be a general duty of disclosure placed on both parties whereby documentation and information relevant to the case must be disclosed to the court and the other party.

The obligation of disclosure is an obligation to the court to assist with providing all relevant information to a case, whether that information benefits or is to the detriment of the claim. Whilst this is the standard position in some circumstances the parties may either agree or apply to the court to ensure that certain information remains confidential.

One method of doing this is by entering into a contractual agreement between the parties whereby the parties agree that certain information may remain confidential or only be disclosed to legal advisors. This so-called "confidentiality club" allows sensitive information to be assessed in the context of the claim without it necessarily being disclosed to the other party who very often may be a competitor. While English courts are relatively accommodating of such arrangements, ultimately it is up to the court to decide whether or not the information should be made public.

The parties are also under a general obligation to only use information disclosed during a case for the purposes of the specific claim - where information is not disclosed in open court a party is under an obligation not to use for other purposes. This is important where features of trade secrets and confidential information are disclosed. However, civil proceedings are public judicial forums. As such, if information is read out or referred to in open court it is possible for the public to become aware of the information, even if the intention was for that information to stay confidential.

If the parties do not agree on a contractual arrangement for the treatment of confidential information, a party to proceedings may unilaterally apply to the court requesting that confidential information is not disclosed to the other party during the disclosure process. Requests for the restriction of disclosure are at the discretion of the court although in practice where a party makes a reasoned case for information



not being disclosed a court is more likely to limit the requirement to disclose to the other party.

*(ii) Public access to documents*

Under the Civil Procedure Rules 5.4C and 5.4D a person not party to proceedings may also be able to obtain certain documents from court without first seeking permission from the court or notifying any of the parties. This includes the statement of case and any judgment or order made in public. These rules do not apply to all court documents: witness statements, expert reports and correspondence between the parties can only be obtained by non-parties with leave of the court.

There is however a risk that confidential information may be included in the statement of case in order to bring the claim which would allow a non-party to the proceedings to obtain that information. A party to the proceedings may therefore apply to the court to restrict access to certain documents. This may be agreed between the parties or left to the court's discretion but applications are generally made to ensure that confidential information is not disclosed. The right to restrict access is at the discretion of the court.

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

It is extremely difficult to determine the number of trade secret actions heard annually. As trade secrets are part of the wider class of confidential information they can be dealt with in many different actions. The Judicial and Court Statistics for 2010<sup>149</sup> indicated that the number of cases commenced in the Chancery division of the High Court between 2006 and 2010<sup>150</sup> were as follows:

2006	2007	2008	2009	2010
3	21	23	95	45

These statistics relate only to cases commenced in the High Court rather than concluded. Many of these cases may well have settled prior to a final decision being handed down. As breach of confidence cases are often complex in nature it is not unusual for the courts to only hear a limited number of cases each year. However, it is possible that a number of cases are not reported where *quia timet* or without notice interim injunctions are sought. The details of the form of confidential information involved are also not always reported due to the sensitive nature of the information.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

As set out above, a court may be reluctant to issue an injunction where a trade secret has already been disclosed to the public. In addition if a trade secret has become public knowledge it is often difficult for a court to "put the secret back in the box". In these circumstances a claim in damages may be more appropriate.

<sup>149</sup> <http://www.justice.gov.uk/downloads/publications/statistics-and-data/courts-and-sentencing/judicial-court-stats.pdf>

<sup>150</sup> The increase in the volume of cases based on confidentiality commenced in 2009 and 2010 may be a result of the increase in litigation in the English courts by "celebrities" seeking so-called "super injunctions" to protect their private information or claims brought against newspapers regarding the hacking of confidential information. However, it is not possible to confirm the details of the cases commenced as many may have settled or been conducted without notice.

English courts are able to grant wide injunctions that potentially may bind third parties with knowledge of the information and not just the direct defendant in a case. However, where information for example has been disclosed online it is practically very difficult to enforce such an injunction. It is often extremely difficult to determine the identity or location of those potentially in breach of such an injunction and often such wide injunctions become unenforceable.

5. What defences are available to the defendant in a trade secrets action?

A defendant in a breach of confidence claim has limited defences available to them to defeat such a claim. The most common are as follows:

- *One of the necessary elements for establishing breach of confidence is missing* - This is likely to form part of a defence for breach of confidence. A defendant may argue that the information itself is not confidential (for example because it is publically available or commonly known), the circumstances did not create a duty of confidentiality (for example because there was no express notification of the confidential nature of the information) or that even if there was a duty, they were not in breach.
- *Disclosure was in the public interest and it was proportionate to make such a disclosure* - In *Attorney General v Guardian Newspapers Limited (No.2) (1990)*<sup>151</sup> Lord Goff stated that although there is a public interest to protect confidential information, that public interest may be outweighed by some other countervailing public interest which favours disclosure. Often such a defence would apply where there is an overriding interest of public safety, health or the exposure of serious wrongdoing. This potential defence is narrowly construed and will not mean that a disclosure to the public at large is justified. For example, where a trade secret which is discovered and evidences serious wrongdoing there may be justification in disclosure to the police or a regulatory authority but this would not provide a defence to use of such a trade secret by a competitor or the disclosure of such information to the public at large.
- *The disclosure was made under legal compulsion* - A statutory duty to disclose information will override the equitable duty to treat information as confidential. A number of statutory provisions under English law contain a requirement to disclose information. However, in litigation a duty of confidence is generally no bar to disclosure in court, although a court will only compel such disclosure if it considers it necessary to do so.
- *Express or implied consent* - Depending on the circumstances of the disclosure it may be possible for a defendant to argue that they had either an express or more likely an implied consent to use that information and to disclose it further. The scope of such a defence is generally limited but as the duty of confidentiality is an equitable right, the court may take such elements into consideration before finding that a right has been breached.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

As set out above, information (such as trade secrets) will be protected by the equitable duty of confidentiality where it can be shown that the information has the

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<sup>151</sup> 1 AC 109; (House of Lords, now The Supreme Court); <http://www.bailii.org/uk/cases/UKHL/1988/6.html>

"necessary quality of confidence". The factors that identify this quality are not prescriptive and the courts are prepared to find that information of varying commercial values and importance are protected as confidential information.

Confidentiality does not attach to trivial or useless information. The court in *Moorgate Tobacco Co Ltd v Philip Morris Ltd (No.2) (1984) 156 C.L.R 414* (High Court)<sup>152</sup> held that the information must be "significant", not necessarily in the sense of commercially valuable but in the sense that the preservation of its confidentiality or secrecy is of substantial concern to the claimant.

Sir Robert Megarry VC in *Thomas Marshall Ltd v Guinle (1979)*<sup>153</sup> identified a number of principles which might assist in identifying confidential information in an industrial setting (i.e. trade secrets). The court held that:

- The party claiming confidentiality must believe that release of the information would be injurious to him or of advantage to his rivals or others;
- The party claiming confidentiality must believe that the information is confidential (i.e. not already in the public domain);
- His belief under the two previous heads must be reasonable; and
- The information must be judged in the light of the usage and practices of the particular industry or trade concerned.

These points were not ranked by the court. As the identification of confidential information is based in equity, the court is entitled to take into account all circumstances. It is clear that the information must have some value although this value does not necessarily need to be commercial.

#### 7. As to award of damages:

##### (a) What are the available options?

If the claim is based only on a breach of the equitable duty of confidence then the court has an equitable discretion to award damages in lieu of, or in addition to, an injunction preventing further use of the information.

If however the claim is based on breach of a contractual duty of confidence as opposed to in equity, the claimant is entitled to damages as of right under English law (provided he can prove that damage has occurred).

##### (b) What are the criteria to determine and calculate damages?

###### (i) *Compensatory Damages*

Damages are generally awarded to compensate for loss suffered as a result of a breach of confidence. Damages can be awarded both for breach of contract and/or for loss suffered due to the breach of the equitable duty of confidentiality.

The courts will likely take into account all relevant factors in determining the level of damages to be awarded although given the nature of confidential information it is often difficult to quantify loss suffered (this is one of the reasons why the so-called "springboard doctrine" was introduced). If the claimant would have used the confidential information to earn profits the correct measure of damages is that the claimant should receive fair compensation for what he has lost. If, however, the

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<sup>152</sup> *Moorgate Tobacco Co. Ltd v Philip Morris Ltd (No.2) (1984) 156 C.L.R 414; (High Court)*

<sup>153</sup> *Thomas Marshall Ltd v Guinle (1979) 1 Ch. 227; (High Court)*

claimant has or would have licensed or sold the information then the correct measure of damages is the market value of the information.<sup>154</sup>

Where confidential information is commercial in nature (for example trade secrets) then the commercial value of the information will be important in assessing the level of damages awarded.<sup>155</sup> Again it is often difficult for the rights holder to ascertain the loss suffered or even the commercial value of a trade secret as it is by its very nature not in the market and therefore not valued.

*(ii) Account of profits*

As well as a claim for damages to compensate for loss suffered, in certain circumstances a claimant may be awarded an account of profits. This is a restitutionary remedy intended to deprive the wrongdoer of the benefit they have received as a result of a breach.

The High Court in *Vercoe & Ors v Rutland Fund Management Ltd & Ors (2010)*<sup>156</sup> held that in relation to a claim based on breach of confidence there are circumstances in which a claimant will not be entitled to claim for account of profits and may instead be confined to a claim for damages. The court held that the test was whether the claimant's interest in the performance of the obligation in question (whether this obligation was based on the equitable duty of confidentiality or a contractual duty) makes it just and equitable that the defendant should retain no benefit from his breach. As an equitable remedy, the court should ensure that the award is not oppressive and is properly proportionate to the wrong done to the claimant.

(c) Are punitive damages available for breach of trade secrets?

In *Mosley v News Group Newspapers (2008)*<sup>157</sup> the claimant was refused exemplary damages from the publisher of what was considered to be confidential information. No English case law authorities have established that such punitive or exemplary damages are recoverable in the context of a breach of confidence action.

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

It is impossible to provide an accurate average for the quantum of damages awarded by the High Court and the PCC in the UK as a result of civil proceedings. As set out above and as is the case in all legal cases, the amount of damages will relate to the loss suffered by the claimant as a result of the breach. The claimant may also elect to claim an account of the profits made by the claimant in lieu of damages. Again the quantum of such account will depend upon the actions of the defendant in each case.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

A duty of confidence under English law may arise whenever the information involved has the necessary quality of confidence and it is disclosed in circumstances of confidence. The circumstances of confidence may arise through a fiduciary relationship, the context of the disclosure or a contractual relationship between the parties. However, the law of

<sup>154</sup> *Seager v Copydex (No.2)* (1969) 1 W.L.R 809; (Court of Appeal)

<sup>155</sup> *Seager v Copydex (No.2)* (1969) 1 W.L.R 809; (Court of Appeal)

<sup>156</sup> EWHC 424; (High Court)

<sup>157</sup> EWHC 1777; (High Court); <http://www.bailii.org/ew/cases/EWHC/QB/2008/1777.html>

confidence does not distinguish between or provide different rules in respect of these different circumstances.

It is often the case that a contractual duty of confidence (i.e. under an employment contract or non-disclosure agreement) is easier to identify. Where a person obtains confidential information through improper or surreptitious means it may be harder to identify that duty of confidence. The courts have struggled to bring such surreptitious taking into the remit of the duty of confidentiality as it is difficult to show that the information is imparted in circumstances of confidence where there is no relationship at all between the owner of the rights and the "recipient".

Recent House of Lords decisions have indicated that the obligations of confidence can extend to strangers who surreptitiously take another's confidential information, notwithstanding the absence of any antecedent confidential relationship. Both *Campbell v MGN (2004)*<sup>158</sup> and *Douglas v Hello (2008)*<sup>159</sup> related to the surreptitious taking of photographs of famous individuals where the information/actions observed are "private".

In *Douglas v Hello*<sup>160</sup> surreptitious photographs were taken of a celebrity wedding and sold to a magazine. The House of Lords found that an obligation of confidence existed both in relation to the intruder who took the photographs and the magazine who subsequently bought the photographs. The court held that the photographer was bound by a duty of confidence due to the security measures put in place at the wedding, the notification to all persons present that photographs were prohibited and the efforts to control photography. The magazine was held to be under an obligation of confidence because they would have known that exclusive photography rights had been granted to a rival magazine and from the nature of the photographs it would have been clear that they had been taken surreptitiously.

Both of these cases indicate that a duty of confidentiality arises where information is obtained surreptitiously. It is not clear however whether this principle extends to all commercially confidential information, such as trade secrets, or whether it is confined to "private" information or photographs.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

A person who innocently receives confidential information will not be under a duty of confidentiality unless and until they are made aware that the information is confidential.

The Court of Appeal in the *Attorney General v Guardian Newspapers Limited (No.2) (1990)*<sup>161</sup> case stated that "*since the right to have confidentiality maintained is an equitable right, it will (in legal theory and practical effect of the aid of the court is invoked) bind the conscience of third parties, unless they are bona fide purchasers for value without notice*". English case law has therefore opened the way for a third party who receives confidential information in good faith and has paid for such information to continue to use that information (even if it is in fact confidential) provided they are not aware of its confidential nature.

A person may be aware that information is confidential not only by notification but by the context they receive it in or the form of the information itself. For example, in

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<sup>158</sup> 2 AC 457 (House of Lords, now called the Supreme Court)

<sup>159</sup> *Douglas v Hello (2008)* AC 1 (House of Lords, now called the Supreme Court)

<sup>160</sup> *Douglas v Hello (2008)* AC 1 (House of Lords, now called the Supreme Court)

<sup>161</sup> *Attorney General v Guardian Newspapers Limited (No.2) (1990)* 1 AC 109; (Court of Appeal)

<http://www.bailii.org/uk/cases/UKHL/1988/6.html>

*English & American Insurance Ltd v Herbert Smith (1988)*<sup>162</sup> papers which a barrister intended to be sent to solicitors instructing him were instead sent in error to solicitors on the other side. Herbert Smith read them and took copies before sending back to the intended recipients. The Court held that despite innocently receiving the document, the nature of the document meant that a duty of confidentiality arose.

The basis for this argument is from property law whereby the recipient of property through a bona fide purchase is able to retain that property and deny any restitutional remedy to the original owner. The English courts however have found it more difficult to apply this doctrine in circumstances where the bona fide recipient of the information is later notified of its confidential nature. As set out in response to question A(4) above, confidential information is not strictly an intellectual property right and so the application of a "bona fide purchaser" is not necessarily accurate.

As a result of this uncertainty the courts have considered whether imposing an obligation not to use confidential information which was purchased in good faith would be inequitable, especially where the innocent recipient has detrimentally changed their position following the receipt of the information.

In *Lipkin Gorman v Karpnale Ltd (1991)*<sup>163</sup> the court held that in principle a defence of "detrimental change to position" would apply to "a person whose position has so changed that it would be inequitable in all the circumstances to require him to make restitution, or alternatively to make restitution in full". This was in relation to receipt of money but it is arguable that such a defence could also apply to the innocent receipt of unauthorized information.

As the law of confidential information is founded in equity, the English courts have some discretion to consider all the factors before determining the scope of any injunctive relief granted. It is possible for an injunction to bind wider than the immediate defendant although this is unusual. The court will consider in the all circumstances whether, balancing the parties respective interests and the justice or injustice that would result from the grant or refusal of injunctive relief against an innocent third party, whether such relief should be granted.

(b) A person who autonomously developed the same information?

If a person autonomously and independently develops the same information as a trade secret held by an unconnected third party no duty of confidentiality would arise and the person who independently developed the information would be free to use and disclose it.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

As set out in response to question A(3) above, the employer/employee relationship is considered to generally create a duty of confidence between the employee and employer both during and following the termination of their employment. This duty of confidence will arise both in equity and as a result of the contractual agreement between the employee and employer.

Should an employee disclose information which either has the necessary quality of confidence or has been deemed confidential under the terms of the employment contract, the employer may be able to bring a claim for both breach of confidence and breach of contract.

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<sup>162</sup> FSR 232 (High Court)

<sup>163</sup> 2 AC 548; (House of Lords, now called The Supreme Court);  
<http://www.bailii.org/uk/cases/UKHL/1988/12.html>

The key case in relation to the use of confidential information or trade secrets by employees is the decision in *Faccenda Chicken Ltd v Fowler (1984)*<sup>164</sup> (upheld in the Court of Appeal<sup>165</sup>). In this case the court identified three categories of information which an employee might gain during their employment:

- (I) information which, because of its trivial nature or its easy accessibility from public sources, cannot be regarded by a reasonable person as being confidential - this category cannot be protected under the law of confidentiality.
- (II) information which the employee was required to treat as confidential but, once learned, necessarily remained in the employee's head and became part of his own skill and knowledge - this information will not be protected unless there is a specific contractual restriction in place.
- (III) specific trade secrets so confidential that they cannot lawfully be used for anyone's benefit but the employer - this information will be protected as confidential information irrespective of whether it is contained within an employment contract and irrespective of whether the employee remains in the employment of the employer.

The English courts have recognized that not all information provided to an employee in the course of their employment constitutes a "trade secret" and therefore has sought to draw a line between the "real" trade secrets which warrant protection and other information which receives limited or no protection at all. The High Court in *Printers and Finishers v Holloway (1965)*<sup>166</sup> said that "*if the information in question can fairly be regarded as a separate part of the employee's stock of knowledge which a man of ordinary honesty and intelligence would recognize to be the property of his old employer and not his own to do with as he likes*" that information may be protected.

(a) While the employee is still employed?

During their employment the employee will be subject to any express confidentiality provisions contained within their employment contract. These commonly specify that information falling within categories II and III above are to be kept confidential but it is possible to specify under contract that any information is kept confidential.

Where there is no express contractual duty the Court in *Faccenda Chicken* held that employees will be subject to a fiduciary duty of good faith to their employer which would in any event usually prevent the employee from making use of information falling within categories II and III above. Therefore, employees who have knowledge of trade secrets are likely to be restricted from using that information both by contract and duty in equity during the course of their employment.

Non-disclosure terms within employment contracts are also subject to the normal rules of construction and in particular must not constitute a restraint of trade in relation to the employees activities post-termination.

(b) Once the employee has left his employment?

As set out in response to question A(3) above, both contractual restrictions and the equitable duty of confidentiality may continue to apply even after an employee has left their employment. In respect of the equitable duty of confidentiality, this will likely

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<sup>164</sup> FSR 105; (High Court)

<sup>165</sup> Ch 117; (Court of Appeal)

<sup>166</sup> RPC 239; (High Court)

remain in place unless the information loses its quality of confidentiality (for example if it is independently disclosed to the public).

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

The following clauses are typical of standard confidentiality provisions included within English law governed employment contracts which deal with the use of confidential information by an employee both during his/her employment and following the termination of the employment contract:

*(1) The Employee shall neither during the Employment (except in the proper performance of [his/her] duties) nor at any time (without limit) after the termination thereof, howsoever arising, directly or indirectly*

*(a) use for [his/her] own purposes or those of any other person, company, business entity or other organisation whatsoever; or*

*(b) disclose to any person, company, business entity or other organisation whatsoever;*

*any trade secrets or confidential information relating or belonging to the Company or its Associated Companies including but not limited to any such information relating to customers, customer lists or requirements, price lists or pricing structures, marketing and information, business plans or dealings, employees or officers, source codes, computer systems, software, financial information and plans, designs, formulae, product lines, prototypes, research activities, services, [insert other specific classes of information], any document marked "Confidential", or any information which the Employee has been told is "Confidential" (or with a similar expression) or which he might reasonably expect the Company would regard as "Confidential", or any information which has been given to the Company or any Associated Company in confidence by customers, suppliers or other persons.*

*(2) The Employee shall not at any time during the continuance of [his/her] employment with the Company make any notes or memoranda relating to any matter within the scope of the Company's business, dealings or affairs otherwise than for the benefit of the Company or any Associated Company.*

*(3) The obligations contained in Clause (1) shall not apply to any disclosures required by law, and shall cease to apply to any information or knowledge which may subsequently come into the public domain after the termination of employment other than by way of unauthorised disclosure.*

Such contractual restrictions are generally enforceable under English law subject to restraint of trade rules.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

As set out in response to the questions above and in response to the questions on criminal protection for trade secrets, English criminal law provides only limited protection for such rights in very limited circumstances. Such cases must also be initiated by the police and cannot be brought as a private prosecution. It is therefore not possible for the owner of a trade secret to compel a criminal investigation or conviction.



The civil law of confidentiality is widely cast. As it is based on equitable rather than legislative principles it has a wide scope and may incorporate all forms of trade secret and confidential information. As trade secrets have been recognized as a form of confidential information and there is clear precedent on the treatment and protection of such information, civil action is more suited to protecting such rights.

As with any civil litigation the downside to bringing an action is the cost and potential time involved (as described further in response to question 4(c) above).

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

Trade secrets are pieces of information integral to a business and its operations. In the UK businesses generally adopt two methods of protecting this information:

- (i) ensuring that trade secrets are only disclosed in circumstances covered by an obligation of confidentiality; and
- (ii) ensuring that access to such information is restricted.

Businesses often use confidentiality undertakings or non-disclosure agreements as a means of ensuring that trade secrets remain confidential. However whilst such agreements provide a contractual remedy for unauthorized disclosure of confidential information, they do not prevent the disclosure from occurring (although the risk of legal action may be sufficient to do this). As well as clarifying what information is considered confidential, non-disclosure agreements also ensure that a recipient of information is on notice that it has been disclosed in circumstances of confidence (one of the pre-requisites for the equitable right of confidentiality). Such agreements are generally enforceable under English law and often form the basis of a contractual claim for breach of confidence (as set out further above).

Businesses can also protect their trade secrets by physically limiting access to the information to specific individuals. Information may be disseminated on a need-to-know basis and held in secured areas to prevent inadvertent or unauthorized access. These forms of protection are useful where a trade secret is embodied in an article (for example a document). However, where the trade secret is a piece of know-how retained in employees heads it is much harder to create methods to limit the disclosure. As well as a common law duty of confidentiality, employment contracts will likely also contain confidentiality provisions to place contractual restrictions on the ability of employees to disclose important information.

13. With regards to non disclosure and non use agreements:

- Are they effective and enforceable in your jurisdiction?

Yes, non-disclosure agreements are commonly used in the UK.

- If so, is prevailing enforcement provided by contract law, unfair competition law, other?

Non-disclosure agreements are enforced under English contract law. Given that they create an obligation of confidence, their effect can also be enforced in a parallel claim in equity for breach of confidence.

- Does the US doctrine of inevitable disclosure exist in your jurisdiction?

English law does not have a directly analogous concept to inevitable disclosure. Where a former employee is hired by a competitor and it is inevitable that the former employee will use or disclose trade secrets in the course of the new job it is likely that the previous employer can rely on either the contractual restrictions contained in the previous employment contract or the equitable duty of confidence to prevent the employee from further disclosing that information. However, in order to seek injunctive relief it must be shown that there is a breach of confidence or that this is very likely to occur - there is no such presumption that the employment of an ex-employee with a competitor will lead to the inevitable disclosure of confidential information.

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

The starting point for determining the jurisdiction of English courts (and in fact all EU Member States) in matters relating to extra-jurisdiction activities is the Jurisdiction Regulation.<sup>167</sup>

Provided the defendant is domiciled in Europe, and the claim in question is a "civil or commercial matter" then the Regulation applies. The Regulation supersedes the domicile or nationality of the claimant or the location of the applicable claim.

In general terms it is accepted that a claim for breach of confidential information constitutes a "civil or commercial matter" and therefore falls under the control of the Jurisdiction Regulation. If jurisdiction is determined under Article 2 of the Jurisdiction Regulation in respect of a claim for breach of confidence then determining the correct jurisdiction is straight forward - Article 2 specifies that where the defendant is domiciled in the EU the courts of the defendants domicile have jurisdiction. Whilst this is a clear rule it can lead to issues with claims potentially being brought in countries with differing protections for trade secrets.

If the duty of confidence arises under contract and the agreement specifies a jurisdiction or court which is entitled to hear disputes then this will be binding on the parties in relation to a contractual dispute. If the claim for breach of confidence can be framed in contract then in principle Article 5(1) of the Jurisdiction Regulation applies and the claimant may therefore elect to have the claim brought in "the place of performance of the obligations in question" set out in the contract. An obligation in contract to keep

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<sup>167</sup> Council Regulation (EC) No 44/2001

information confidential is treated as an obligation to keep that information confidential anywhere and everywhere - it is not limited to the jurisdiction of the contract.<sup>168</sup>

It however remains unclear whether a jurisdiction clause within a contract extends to rights based on the same factual circumstances - for example, whether it extends to an equitable duty of confidence based on the same circumstances as a contractual breach of confidence.

It is arguable that Article 5(3) of the Jurisdiction Regulation applies to breaches of the equitable duty of confidence. Article 5(3) provides for a defendant domiciled in Europe to be sued in the courts for the place "where the harmful event occurred or may occur". Article 5(3) is purported to apply to claims arising in "tort". Under English law a breach of confidential information is an equitable claim but is not a "tort" per se. Where the breach of confidence occurs in the UK and the confidential information is passed abroad (for example a trade secret being sold to an overseas competitor) the wrongful act takes place in the UK and jurisdiction may be founded here to bring an action against the party taking that trade secret.

The Jurisdiction Regulation however does not contemplate or provide for any general rules for actions not founded in either contract or tort (the assumption being that these are universally recognized terms). As set out above, it is debatable whether the equitable duty of confidence can fall within the definition of a tort - if not then it remains in limbo in terms of the applicable jurisdiction for a case. The Court of Appeal in *Kitechnology BV v Unicolor GmbH Plastmaschinen (1995)*<sup>169</sup> held that confidential information used to manufacture pipes in England and then misappropriated by German defendants for use in Germany was not a "harmful event" in the UK to allow the claim to be heard by the English courts. The court held that there was no damage directly caused to the claimants in the UK by the alleged activities of defendants in Germany. Unfortunately, the Court of Appeal refused to determine whether an equitable breach of confidence could be characterized as a "tort" for the purposes of Article 5(3) of the Jurisdiction Regulation and so this remains open to interpretation.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

Enforcement of foreign judgments in English Courts (whether or not relating to breaches of confidentiality) are governed in the EU by the Jurisdiction Regulation. The Jurisdiction Regulations provides a scheme for the enforcement of judgments in foreign jurisdictions. Provided that the judgment has been handed down in a court of a Member State the English courts will enforce such judgments following application to the English court.

Accordingly, the law of the state in which enforcement is sought governs the procedure for making the application and local law advice should be sought. The enforcement of foreign judgments by English courts under the Jurisdiction Regulation will apply unless such enforcement would be irreconcilable with a judgment given by the English courts between the same parties on the same subject matter or the English courts have already been required to enforce a judgment with a different outcome between the same parties on the same subject.

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<sup>168</sup> Attorney General v Guardian Newspapers Limited (No.2) (1990) 1 AC 109; (House of Lords, now The Supreme Court); <http://www.bailii.org/uk/cases/UKHL/1988/6.html>

<sup>169</sup> FSR 795; (Court of Appeal)

If the judgment falls outside of the Jurisdiction Regulation (as it is not sought within the specified time limits or does not meet the requirements under the Jurisdiction Regulation), the enforcement of foreign judgments will be determined by English common law.

Under English common law the basic rule is that a party seeking to enforce a foreign judgment must initiate fresh proceedings in England. The foreign judgment creates an obligation actionable in England - generally for damages claims the claimant is seeking to recover a debt. In these cases a claimant would likely seek summary judgment in the English courts to enable them to recover the debt based on the separate decision of the English courts.

## United States

The legal system in the United States comprises two general levels of law: US federal law governing the United States as a whole and the laws of the separate states (the "States"), the District of Columbia ("DC"), and self-governing US territories (the "Territories"). US federal law governs areas that, under the US Constitution, Congress is authorized to regulate. Other areas are left to regulation by the states. While Congress enacted some laws related to trade secrets, it has not enacted any legislation regulating trade secrets in the United States. Thus, trade secrets and the protection of confidential information are in general governed by each State, DC, and each Territory.

In 1979, the National Conference of Commissioners on Uniform State Laws (the "NCCUSL") proposed a uniform law on trade secrets, the Uniform Trade Secrets Act (the "UTSA"). The UTSA does not have the force of law but was proposed by the NCCUSL for adoption by the States, DC, and the Territories. In 1985, the NCCUSL amended the UTSA. Since then, almost all States, DC, Puerto Rico, and the US Virgin Islands have adopted the UTSA. At this time, the States of Massachusetts, New York, North Carolina, and Texas have not enacted the UTSA, although a bill for adoption of the UTSA was introduced this year in Massachusetts. Since the UTSA has the force of law only through positive enactment, the enacted versions of the UTSA in the various States, DC, and Territories may differ. In addition, since interpretation of the UTSA adopted by a State, DC, or a Territory is generally the province of the local courts, the interpretation of provisions of the enacted versions of the UTSA, even if they are identical or similar, may vary among the States, DC, and the Territories.

A survey and discussion of trade secret law in each of the fifty states, the various territories, and the District of Columbia is beyond the scope of the questionnaires. Thus, the responses to the questionnaires analyze trade secret law from the perspective of the States that may be deemed most significant economically for most international businesses: the UTSA (identifying differences thereto as adopted by California and Illinois, if applicable), New York, and Texas.

### A. APPLICABLE REGULATORY FRAMEWORK

1. Does the legislation of your jurisdiction provide specific provisions on the protection of trade secrets?

As stated in the preface, almost all States have adopted the UTSA, and a bill for adoption of the UTSA has been introduced in Massachusetts' legislature. Among the remaining States, New York and Texas have no general trade secret statutes but rely on common law, which is the law based on judicial precedent by the courts of that state.

2. If so, please indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that are deemed appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also provide the definition of trade secrets for each field of law in which definition is provided. If no definition is provided, please identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

The UTSA includes the following definition of a "trade secret:"

"Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by

- proper means by, other persons who can obtain economic value from its disclosure or use, and
- (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

UTSA § 1(4). The versions of the UTSA enacted in California and Illinois follows this definition, except that they omit the clause “and not being readily ascertainable by proper means by” from the definition. Cal. Civ. Code § 3426.1(d) (California); 765 Ill. Comp. Stat. 1065/2(b) (Illinois). Nevertheless, Illinois courts have interpreted the Illinois’s UTSA to not protect information that is readily available. *Stenstrom Petroleum Servs. Group, Inc. v. Mesch*, 874 N.E.2d 959, 972 (Ill. App. Ct. 2d Dist. 2007). At the same time, as the definition shows, trade secrets are not limited to a particular context or field of law.

3. If the law of your jurisdiction does not provide specific provisions on the protection of trade secrets please:

(a) Indicate the legal provisions that can be used in order to secure protection against infringement of trade secrets, providing the text of relevant provisions and indicating the legal instrument(s) in which these provisions are set.

In New York and Texas, trade secrets are protected at common law. Courts have adopted the definitions from the Restatement (First) of Torts, which is one of a series of codifications of common law principles by the American Law Institute. The Restatements of Law are not binding law but have often been adopted by courts as reflecting existing law.

(b) Indicate for each provision the context and field of law in which protection is legally granted, using categories and subcategories that you deem appropriate (such as for example unfair competition law, intellectual property law, civil law, non contractual liability, law of tort, etc) and also identify the definition generally acknowledged as the most important in your jurisdiction (e.g. definition deriving from conditions required by TRIPS Agreement – Art. 39.2; case law or doctrine of your jurisdiction).

Both New York and Texas law define trade secrets in accordance with the Restatement (First) of Torts. See, e.g., *Paz Sys. v. Dakota Group Corp.*, 514 F. Supp. 2d 402, 407 (E.D.N.Y. 2007) (New York); *In re Bass*, 113 S.W.3d 735, 739 (Tex. 2003) (Texas). The Restatement describes a trade secret as follows: “A trade secret may consist of any formula, pattern, device or compilation of information which is used in one’s business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.” RESTATEMENT (FIRST) TORTS § 757, cmt. b. (1939).<sup>170</sup> Courts have used six factors identified in the RESTATEMENT (FIRST) TORTS to determine whether information is a trade secret: “1. the extent to which the information is known outside of his business; 2. the extent to which it is known by employees and others involved in his business; 3. the extent of measures taken by him to guard the secrecy of the information; 4. the value of the information to him and to his competitors; 5. the amount of effort or money expended by him in developing the information; 6. the ease or difficulty with which the information could be properly acquired or duplicated by

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<sup>170</sup> This Restatement was revised in the Restatement (Second) of Torts, which omitted the provisions on trade secrets. Instead, trade secrets were covered by the RESTATEMENT (THIRD) UNFAIR COMPETITION issued in 1995. This Restatement defines trade secrets more liberally than the RESTATEMENT (FIRST) TORTS § 757 by not requiring use in a business: “A trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others.” RESTATEMENT (THIRD) UNFAIR COMPETITION § 39. Nevertheless, subsequent New York and Texas cases continue to apply the definition of the RESTATEMENT (FIRST) TORTS.

others." *Id.*; *Paz Sys.*, 514 F. Supp. 2d at 407; *In re Union Pac. R.R. Co.*, 294 S.W.3d 589, 592 (Tex. 2009).

The common law definitions based on the RESTATEMENT (FIRST) TORTS do not limit trade secrets to particular categories or subcategories. Unlike the UTSA, the Restatement includes as an element that the information is used in business. However, it is questionable whether this element is strictly observed. See this part of the definition is enforced in New York or Texas. See *Bertotti v. C.E. Shepherd Co., Inc.*, 752 S.W.2d 648, 653 (Tex. App. – Houston 14th Dist. 1988) (citing *Elcor Chemical Corp. v. Agri-Sul, Inc.*, 494 S.W.2d 204, 213 (Tex. Civ. App. – Dallas 1973, writ refused n.r.e.) (stating that “[t]he mere fact that a company is not utilizing information at the present time does not prevent that information from being a trade secret subject to protection”).

4. Are trade secrets considered to be intellectual property and protected as an intellectual property right? Is the legislation that implemented the Directive on enforcement of intellectual property rights (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights) applicable to the protection of trade secrets?

Whether a trade secret is merely a relational right, *i.e.*, arising from a contractual relationship, or are a property right was the subject of contention. Presently, practically all States now deem trade secrets intellectual property rights. See *Greenly v. Cooper*, 143 Cal. Rptr. 514, 521 (Cal. App. 4th Dist. 1978) (California); *Murphy v. Murphy*, 328 N.E.2d 642, 644 (Ill. App. 5th Dist. 1975) (Illinois); *Drake v. Herrman*, 185 N.E. 685, 686 (N.Y. 1933) (New York); *Elcor Chemical Corp.*, 494 S.W.2d at 211; *Mabrey v. SandStream, Inc.*, 124 S.W.3d 302, 310 (Tex. App. – Fort Worth 2003) (Texas). Recognizing trade secret rights to be property rights has important consequences under U.S. law, not the least that trade secrets enjoy thus the Constitutional protection from under the takings clause of the Fifth Amendment to the U.S. Constitution, *i.e.*, that property may not be taken without just compensation. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1003-04 (1984).

Note that Directive 2004/48/EC has no force or effect in the United States.

5. Which different types of trade secrets are recognised in your jurisdiction (e.g. manufacturing technology, commercial know how such as price or customer lists)? How, if at all, are they treated differently by the law?

The protection of trade secrets is not limited to a specific category of information. As the definition of “trade secret” in the UTSA shows, trade secrets can comprise technological as well as non-technological information, as long as such information meets the above-mentioned requirements for a trade secret in a specific State. Also in States that have not adopted the UTSA, trade secrets are not limited to specific categories of information but “may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.” *Bertotti*, 752 S.W.2d at 652.

6. What are, in your opinion, the inadequacies of the law on trade secrets in your jurisdiction? What improvements would you suggest? Would a European harmonized and common legislation for the definition and effective protection of trade secrets be feasible and positive? Are there any provisions or practices, including business or market practices to protect trade secrets, peculiar to your jurisdiction that you consider as a positive asset? Are there any current proposals for new legislation?

A significant issue not addressed in the UTSA and trade secret statutes is the original ownership of trade secrets. This is particularly relevant if trade secrets are created by an employee or contractor within a contractual relationship. Sophisticated contracts in

the U.S. typically allocate ownership of trade secrets (and other intellectual property) to one or the other party. However, if this is not done, the ownership is dependent on common law, which has been developed more or less in the various States.

7. For your jurisdiction please provide a list of leading case-law, together with an indication of the relevant issues dealt with in each case. The aim of this list is to give an overview of the general principles applicable to the protection of trade secrets in your jurisdiction.

Since trade secret law is governed separately by the States, DC, and the Territories, it is difficult to provide a list of leading case law. The cases otherwise cited in the responses to the questions herein are all relevant case law.

8. For your jurisdiction please provide a list of literature, studies, surveys, other reference material, together with a brief summary of the relevant issues dealt with in each of the material reported. The aim of this list is to give an overview of the doctrine and perspective on the protection of trade secrets in your jurisdiction.

Roger M. Milgrim, *Milgrim on Trade Secrets*, 2011: This publication is a seminal work on the law of trade secrets in the United States.

*World Intellectual Property Rights and Remedies*, Dennis Campbell, Ed., §§ 50:57-50:70, 2011: These sections of this publication provide a brief overview of trade secret law in the United States.

NCCUSL: Uniform Trade Secrets Act with 1985 Amendments, <http://www.law.upenn.edu/bll/archives/ulc/fnact99/1980s/utsa85.htm>. This is the text of the UTSA as promulgated by the NCCUSL with amendments made thereto in 1985.

RESTATEMENT (FIRST) TORTS, § 757 (1939): This publication is part of the American Law Society's Restatement series of summaries of common law in the United States.

RESTATEMENT (THIRD) UNFAIR COMPETITION, §§ 38-45 (1995): This publication is part of the American Law Society's Restatement series of summaries of common law in the United States.

California Jurisprudence, Third, Unfair Competition §§ 21-24: This publication is a summary of California law related to trade secrets.

Illinois Jurisprudence, Commercial Law §§ 24:1-24:12: This publication is a summary of Illinois law related to trade secrets.

New York Jurisprudence, Second, Trade Regulation §§ 246-264: This publication is a summary of New York law related to trade secrets.

Texas Jurisprudence, Third, Trademarks, Tradenames, Unfair Competition §§ 45-64: This publication is a summary of Texas law related to trade secrets.

## B. LITIGATION AND ENFORCEMENT

1. What elements must be established in order to commence legal proceedings for unauthorised use, unauthorised disclosure, misappropriation, or any form of trade secret infringement?

To prevail on a suit claiming trade secret misappropriation, the plaintiff must show (apart from meeting the general procedural requirements) that: (i) the plaintiff has a protectible interest in a trade secret, (ii) such trade secret has been misappropriated,



and (iii) such misappropriation has occurred by the defendant. The plaintiff generally has the burden of proof for these elements.

The plaintiff has standing to bring a trade secret misappropriation suit only if the plaintiff has a protectible interest in the asserted trade secret. Generally, such protectible interest is ownership or an express right (such as an exclusive license) to such trade secret. The UTSA does not address ownership of trade secrets. Furthermore, there is no general or uniform rule of trade secret ownership. If a person creates information that is a trade secret, that person will likely be the owner. It is more complicated if such information is created by an employee or contractor in the course of employment or contractual engagement. For this reason, it is generally advisable to allocate and assign ownership of trade secrets (and other intellectual property) created, developed, or arising from an employment or contractual engagement in the underlying employment or services contract.

The UTSA defines "misappropriation" as:

- (i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or
- (ii) disclosure or use of a trade secret of another without express or implied consent by a person who
  - (A) used improper means to acquire knowledge of the trade secret; or
  - (B) at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was
    - (I) derived from or through a person who had utilized improper means to acquire it;
    - (II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or
    - (III) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or
  - (C) before a material change of his [or her] position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

UTSA §1(2); see also Cal. Civ. Code § 3426.1(b) (California); 765 Ill. Comp. Stat. 1065/2(b) (Illinois). New York common law requires for misappropriation of a trade secret "that the defendant used that trade secret in breach of an agreement, a confidential relationship, or duty, or as a result of discovery by improper means." *Hudson Hotels Corp. v. Choice Hotels International, Inc.*, 995 F.2d 1173,, 1176 (2d Cir. 1993). Misappropriation of a trade secret under Texas law requires proof of "breach of a confidential relationship or improper discovery of a trade secret ... [,] use or disclosure of the trade secret ...[, and] damages to the owner." *Rusty's Weigh Scales and Service, Inc. v. North Texas Scales, Inc.*, 314 S.W.3d 105, 109 (Tex. App. – El Paso 2010); *CQ, Inc. v. TXU Min. Co., L.P.*, 565 F.3d 268, 273 (5th Cir. 2009).

As an additional avenue, the plaintiff can prevent the importation of products made using misappropriated trade secrets by filing a complaint with the U.S. International Trade Commission (the "ITC"). *TianRui Group Co. Ltd. v. Int'l Trade Comm'n*, 661 F3d 1322, 1334-35 (Fed. Cir. 2011). The ITC has authority over unfair methods of competition and unfair acts in the importation of goods into the U.S. 19 U.S.C. § 1337. While the ITC cannot provide remedies against trade secret misappropriation per se, it can be a useful avenue to prevent the importation of products made with misappropriated trade secrets.

2. What civil remedies are made available? Are the remedies cumulative?

Under the UTSA, a claimant of trade secret misappropriation is entitled to injunctive relief for actual and threatened misappropriation and to damages. UTSA §§ 2, 3; *accord* Cal. Civ. Code §§ 3426.2, 3426.3 (California); 765 ILCS 1065/2, 1065/3 (Illinois). Injunctive relief and damages are not mutually exclusive and can be cumulative. See UTSA, Cmt. (“Monetary relief can be appropriate whether or not injunctive relief is granted”); *Elcor Chemical Corp.*, 494 S.W.2d at 422 (holding that “when one breaches his confidential relationship in order to unfairly use a trade secret of another, equity will grant relief in the form of monetary damages as well as injunction to restrain the use of such secret”).

The specific requirements for obtaining injunctive relief are determined under the procedural law of the State, DC, or the Territory where the plaintiff seeks injunctive relief. Generally, however, injunctive relief is an equitable remedy. For injunctions in federal court, the U.S. Supreme Court held in *eBay Inc. v. MercExchange, LLC* that, for an injunction, the plaintiff must demonstrate (i) an irreparable injury, (ii) that remedies available at law (notably damages) are inadequate to compensate for such injury, (iii) that equity warrants the injunction considering the balance of hardships of the plaintiff and the defendants, and (iv) that public interest would not be disserved by a permanent injunction. 547 U.S. 388, 391 (2006). While *eBay* involved patent infringement, it is possible that the holding is extended to trade secrets. Some lower courts have applied *eBay* to trade secrets. See *Rx.com v. Hruska*, 2006 U.S. Dist. LEXIS 63953, \*27 (S.D. Tex. Sept. 7, 2006).

A plaintiff may also seek a temporary or preliminary injunction until a final injunction issues or issuance of a final injunction is denied. The requirements for obtaining a preliminary injunction also depend on the procedural law in the jurisdiction where the case is heard. In a federal court, the specifics may depend on the Court of Appeals circuit in which the trial court sits. Generally, in a federal court, the plaintiff must show (i) a reasonable likelihood of success on the merits (*i.e.*, that the plaintiff will prevail in the misappropriation case), (ii) irreparable harm to the plaintiff, (iii) balancing the plaintiff’s and the defendant’s hardships arising from granting or not granting the injunction is in the plaintiff’s favor, and (iv) the issuance of the injunction is in the public interest. See *Chrysler Motors Corp. v. Auto Body Panels, Inc.*, 908 F.2d 951, 952 (Fed. Cir. 1990).

Since injunctive relief is equitable, it may be subject to modification or dissolution by the court. Under the UTSA, “an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.” UTSA § 2(a); *accord*. Cal. Civ. Code §§ 3426.2(a) (California); 765 ILCS 1065/2(a) (Illinois).

3. Defendants misusing trade secrets are often dishonest. Is it possible to obtain *ex parte* orders to search premises and computer systems for misappropriated data and to require the Defendant to provide information as to the whereabouts of documents and files containing such data? [in civil proceedings]

It is possible to seek a temporary restraining order (“TRO”) from a court. The specific requirements for a TRO depend on the procedural law of the court’s jurisdiction. Under U.S. federal procedural rules, the plaintiff must show the requirements set forth above under question B.2 for a preliminary injunction. In addition, a TRO may be issued *ex parte* only if the plaintiff alleges under oath specific facts that clearly show that immediate and irreparable injury, loss, or damage will result to it before the defendant can be heard, and the plaintiff certifies in writing the efforts made to give notice and the reasons why it should not be required. Federal Rule of Civil Procedure 65(b)(1). The purpose of a TRO is to “preserv[e] the status quo and prevent[ ] irreparable harm just so long as is necessary to hold a hearing, and no longer.” *Granny Goose Foods, Inc. v.*

*Bhd. of Teamsters & Auto Truck Drivers*, 415 U.S. 423, 439 (1974). As such, TROs are not designed to procure misappropriated data for the plaintiff but to restrain the defendant from destroying or deleting such data before a hearing is possible. If the plaintiff wishes to locate the whereabouts of information, it is unlikely that the plaintiff will be able to obtain a TRO for that purpose. Since TROs are granted *ex parte* before notice and an opportunity to be heard, courts generally are reluctant to grant them.

4. In civil proceedings, what difficulties have plaintiffs encountered in enforcing trade secret legal protection in your jurisdiction? In this regard you should consider the following:

(a) What forms of interim relief, if any, are or are not available? E.g. preliminary or interim injunctions, expedite action on the merits – cease and desist action?

Preliminary injunctions as well as TROs are principally available if the plaintiff makes the required showing of the requirements therefor, which are discussed above. The preliminary relief is generally tailored narrowly to prevent irreparable harm rather than to expedite the proceeding. It is possible, however, that a court sets an expedited schedule for a hearing on a preliminary injunction in lieu of granting a TRO.

(b) Are final injunctions time limited? Do they require to be confirmed through an ordinary proceeding?

Under the UTSA, an injunction terminates when the trade secret ceases to exist, except that the injunction may continue for an additional reasonable time to eliminate a commercial advantage that would otherwise be derived from the misappropriation. UTSA § 2(a); *accord* Cal. Civ. Code §§ 3426.2(a) (California); 765 ILCS 1065/2(a) (Illinois). As the NCCSUL's comment to Section 2 of the UTSA states:

[A]n injunction should last for as long as is necessary, but no longer than is necessary, to eliminate the commercial advantage or "lead time" with respect to good faith competitors that a person has obtained through misappropriation. Subject to any additional period of restraint necessary to negate lead time, an injunction accordingly should terminate when a former trade secret becomes either generally known to good faith competitors or generally knowable to them because of the lawful availability of products that can be reverse engineered to reveal a trade secret.

UTSA § 2, Comt.

(c) What is the average duration and cost of proceedings from initiating the claim to final judgment?

There is not definite rule for the duration of a trade secret misappropriation trial. It can take more than a year, or even years, from filing the complaint until final judgment. After filing the complaint, the pre-trial procedure begins, which includes discovery and motion practice. Only after it is concluded will the trial commence.

(d) Are cases involving technical trade secrets heard by specialist judges?

No. Generally, claims for trade secret misappropriation are filed either in State court or, if the federal jurisdictional requirements are met (*i.e.*, the claim involves a question of federal law or the parties are from different States and the amount in controversy exceeds US\$75,000), in a U.S. district court. 28 U.S.C. §§ 1331, 1332.

Trade secret misappropriation cases are appealed generally to the ordinary court of appeals for civil cases. In the U.S. federal system, this is the Court of Appeals circuit in which the district court having decided the case sits. However, cases of patent infringement are appealed to the Court of Appeals for the Federal Circuit. Thus, if a patent infringement claim accompanies a trade secret misappropriation claim, the trade secret misappropriation claim would be appealed with the patent infringement claim to the Court of Appeals for the Federal Circuit.

Furthermore, in view of the U.S. Constitutional (U.S. Const., Amend. 7) guaranty of the jury trial, unless the defendant waives the right to a jury trial, the determination of the relevant facts in a trade secret misappropriation case is made by a jury rather than the judge. Injunctive relief is, however, reserved for the judge.

(e) What measures are put in place to protect the secrecy of information before and during the proceedings? (e.g. can the public be excluded from the proceedings, have the parties to prove their claims and file the documents evidencing their claims, what are the available measures to protect trade secrets in discovery and seizure actions)?

Litigation in the United States includes a pre-trial discovery process that involves the exchange of information and potential evidence. Disclosure of trade secrets as part of discovery is a particular problem. Under Federal Rule of Civil Procedure 26(c), a party from whom discovery is sought may move the court to issue a protective order. The protective order may include requiring that a trade secret or other confidential information not be revealed or be revealed only in a limited manner. Often, protective orders impose different levels of access restriction to confidential information. For example, a protective order can be structured such that a party's information with trade secrets can be designated "attorneys' eyes only" or "outside attorneys' eyes only" and prohibit the other party's business or even in-house counsel from having access to it. The UTSA specifically requires "a court [to] preserve the secrecy of an alleged trade secret by reasonable means, which may include granting protective orders in connection with discovery proceedings, holding in-camera hearings, sealing the records of the action, and ordering any person involved in the litigation not to disclose an alleged trade secret without prior court approval." UTSA § 5; *accord* Cal. Civ. Code §§ 3426.5 (California); 765 ILCS 1065/5 (Illinois)

(f) Approximately how many trade secret actions are heard by the civil courts in your jurisdiction each year? What trade secrets are mainly the subject matter of court litigations (for example manufacturing processes, products specifications, commercial/financial information, etc)? What is the average output of trade secret actions heard by the civil courts in your jurisdiction?

No reliable statistic could be located, due likely also to the fact that trade secret actions can be initiated in the courts of any State, DC, or a Territory or, subject to meeting the federal jurisdictional requirements, a U.S. district court, *i.e.*, a large number of independent fora.

(g) Are there any other issues of which you are aware which make enforcement of trade secrets difficult?

The greatest difficulty in trade secret misappropriation cases are typically questions of proof and facts. In many cases, it may not be possible to prove trade secret misappropriation through direct evidence but only through circumstantial evidence. See *Ajaxo Inc. v. E\*TRADE Group, Inc.*, 37 Cal. Rptr. 3d 221, 247 (Cal. App. 6th Dist.

2005) (California); *Picker Int'l, Inc. v. Blanton*, 756 F. Supp. 971, 976-979 (N.D. Tex. 1990) (Texas).

5. What defences are available to the defendant in a trade secrets action?

The defendant in a trade secret action has numerous defenses. Among defenses available under general substantively or procedurally law, the following defenses are particularly noteworthy:

Rebuttal: The defendant in a trade secret misappropriation suit has the general burden of rebutting the elements of the plaintiff's claim, such as that the information at issue is a trade secret, that the trade secret was misappropriated, or that the plaintiff has standing, *i.e.*, sufficient rights in the trade secret to bring the suit. In addition, the defendant may have affirmative defenses if the facts support such defenses:

Authorization: This defense would seek to prove that the plaintiff has agreed to the alleged misappropriation, such as in a contract between the plaintiff and the defendant or through verbal permission.

Limitation of Plaintiff's Claim: This defense would include the bar of the statute of limitations, laches, or acquiescence. Under the UTSA, the statute of limitations for trade secret misappropriation claims is three years. UTSA § 6. California adopted the UTSA with a three year statute of limitations while Illinois extended the statute of limitations to five years. See Cal. Civ. Code § 3426.6 (California); 765 ILCS 1065/7 (Illinois). Under New York law, the statute of limitations for trade secret misappropriation is three years. N.Y.C.P.L.R. § 214; *Andrew Greenberg, Inc. v. Svane, Inc.*, 830 N.Y.S.2d 358, 362 (N.Y. App. Div. 2007); *Damas v. Levitsky*, 738 N.Y.S.2d 402, 408 (N.Y. App. Div. 2002). Texas established a three year statute of limitations. Tex. Civ. & Rem. Code § 16.010. Likewise, the statute The statute of limitations starts running after the trade secret misappropriation is discovered or should have been discovered using reasonable diligence. UTSA § 6; Cal. Civ. Code § 3426.6; 765 ILCS 1065/7. The principles of laches or acquiescence denote types of waivers of rights for failure to pursue a claim. There is no specific time period of inaction by the plaintiff after which laches or acquiescence are deemed to bar a claim by the plaintiff. Rather, it is a matter of the specific circumstances.

6. What is the requisite that is most considered by the courts of your jurisdiction (e.g. secrecy, commercial value, importance for the relevant business, adoption of adequate measures to protect secrecy, others) in determining whether to grant or not protection to trade secrets? How the trade secrets owner is requested to prove this importance?

As discussed above, the definition of a "trade secret" in the UTSA does not focus on a particular requisite in determining whether information is a trade secret other than that the principal requirements described in response to question A.1 above. The plaintiff has the burden to prove that the allegedly misappropriated information is a trade secret. As such, the plaintiff has the burden to prove that the elements of the trade secret definition exist with regard to such information. The plaintiff can do so through direct or circumstantial evidence. If the plaintiff proves that such information is a trade secret, that such trade secret was or is misappropriated, and that the defendant misappropriated or misappropriates such trade secret, the plaintiff is entitled to recovery of damages as well as, if equitable, injunctive relief. Thus, the degree of secrecy, commercial value, or importance of a trade secret may not be relevant in determining whether the plaintiff is entitled to a remedy. However, such factors can be relevant in the plaintiff's attempt to prove the damages (*e.g.*, the losses incurred by the plaintiff may be greater if core trade secrets are misappropriated) or as part of seeking injunctive

relief (e.g., the equities for granting injunctive relief may increase with the importance of the trade secret for the plaintiff's business. Proving the requirements for trade secret misappropriation follows the general rules of evidence, which are the rules set forth in the Federal Rules of Evidence for trials in U.S. federal courts and corresponding State rules of evidence for suits in a State court.

7. As to award of damages:

(a) What are the available options?

Damages include compensation for the actual loss caused by the misappropriation and recovery of the unjust enrichment caused by the misappropriation (to the extent such unjust enrichment is not taken into account in calculating the actual loss), or if neither is proven, a reasonable royalty for any unauthorized disclosure or use of the trade secret. UTSA § 3; *accord* Cal. Civ. Code § 3426.3 (California); 765 ILCS 1065/3 (Illinois).

(b) What are the criteria to determine and calculate damages?

Damages are generally actual loss suffered by the plaintiff caused by the misappropriation, which can be the value of lost profits

(c) Are punitive damages available for breach of trade secrets?

In the case of a willful and malicious misappropriation, the court may award exemplary damages not exceeding twice of the award of actual damages and/or unjust enrichment or a reasonable royalty). *Id.* In addition, the claimant is entitled to recovery of reasonable attorneys' fees if the claimant prevails in a case of willful and malicious misappropriation. UTSA § 4(iii); *accord.* Cal. Civ. Code § 3426.4 (California); 765 ILCS 1065/5(iii) (Illinois).

(d) What is the average quantity of awarded damages in civil proceedings in your jurisdiction?

Since damages under the UTSA include actual damages, unjust enrichment, and an enhancement based thereon, it is not possible to provide a general guideline for or average of damages awarded in trade secret misappropriation cases. Rather, the amount of damages is necessarily specific to the factual circumstances of each case.

8. Does your legislation distinguish the case of trade secret violations resulting from breach of contract obligations (e.g. employment agreements, non disclosure agreements, licenses, other contractual instruments) from trade secret violations resulting from fraud, espionage or other improper actions? If so, what are the differences in available remedies?

Under the UTSA as proposed by the NCCUSL and adopted by the adopting States, no distinction is made between misappropriation of a trade secret that accompanies or does not involve a breach of contract. The distinction between trade secret misappropriation in and outside a contractual relationship is that, if the trade secret misappropriation accompanies a breach of a contract, the plaintiff will have an additional breach of contract cause of action against the defendant. Since a breach of contract claim is, generally speaking, a failure or default of performing a contractual duty (e.g., the

obligation not to disclose the trade secret to a third party or the obligation to safeguard the trade secret), the elements therefor are different from the elements of a trade secret misappropriation claim as discussed above. This can be an advantage to a plaintiff whose evidence for showing a breach of contract is stronger than the evidence of a trade secret misappropriation.

In addition, the remedies for breach of contract are generally the right to claim damages to put the plaintiff in the position that the plaintiff would have been in if the contract had not been breached. Thus, breach of contract damages are generally actual damages rather than damages in the form of unjust enrichment or punitive damages. As a result, the damages available under the UTSA (as described above) can be broader than those available for a breach of contract claim.

9. Are the remedies identified for your jurisdiction also enforceable against:

(a) A person who obtains trade secrets in good faith? and/or

Generally, a plaintiff has no claim for trade secret misappropriation against a third party who innocently obtains trade secrets. As described above under question A.1, under the UTSA, "misappropriation" requires "improper" means of acquiring knowledge of the trade secret or knowledge or reason to know of the impropriety. More generally, at common law, "the discoverer of a new process or trade secret who attempts to keep the process or idea secret has no exclusive right to it ... against one who in good faith acquires knowledge of it without breach of contract or of a confidential relationship with the discoverer." *Speedry Chems. & Prods., Inc. v. Carter's Ink Co.*, 306 F.2d 328, 330 (2d Cir. 1962); see also *World Service Life Ins. Co. v. Metropolitan Life Ins. Co.*, 600 S.W.2d 400, 402 (Tex. Civ. App. – Fort Worth 1980), *reh'g denied* (1980).

Once the innocent third party is given notice of the misappropriation, continued use of the trade secret would become misappropriation under the definition of such term in the UTSA. While such third party is then subject to the remedies under the UTSA, the UTSA provides that the court may issue an injunction conditioned on future use upon payment a reasonable royalty. UTSA §§ 2(b); accord. Cal. Civ. Code §§ 3426.2(b) (California); 765 ILCS 1065/2(b) (Illinois).

(b) A person who autonomously developed the same information?

No. Generally, particularly in States considering trade secrets to be property, an independently developed trade secret, even if it is similar to or identical with another trade secret, is not misappropriation of such other trade secret.

10. To what extent can an employer prevent an employee misusing or disclosing its trade secrets:

- While the employee is still employed?

The employer may limit the employee's use of employer's trade secrets in the employment agreement. If the employee fails to comply with such limitations, the employee would be liable for breach of the employment agreement as well as, if such acts constitute misappropriation as described above, trade secret misappropriation.

- Once the employee has left his employment?

If the former employee uses or discloses trade secrets of the employer without the employer's permission and such use or disclosure constitutes misappropriation as described above, such former employee is liable for trade secret misappropriation. In addition, employment agreement typically require the employee to return and cease using any trade secrets of the employer upon leaving the employ and may also expressly extend the non-disclosure obligation under the employment agreement after the end of the employment. In such case, the former employ may also be liable for breach of the employment agreement.

(c) Provide examples of contractual clauses which can be included in a contract of employment to address the scenarios in (a) and (b) above. Are such clauses generally enforceable? Does the court distinguish between 'real' trade secrets and general information that happens to be confidential?

The following clause would address both scenarios in (a) and (b), which are draft to cover any confidential information, including trade secrets. While the employer's rights for trade secret misappropriation are limited to information that are trade secrets as defined above, contractually the employee may be obligated not to disclose and not to use information that is confidential but not a trade secret.

#### Confidentiality

.1 Confidential Information. The term "Confidential Information" means any and all data, documents, materials, trade secrets, and other information of or, directly or indirectly, originating with, provided, disclosed, or made available or accessible by the Employer to the Employee, whether in written, electronic, digital, visual, aural, verbal, or oral or other tangible or intangible form, whether or not labeled or otherwise identified as confidential, except for any data, documents, materials, or other information if and to the extent that any such data, documents, materials, or other information: (i) was publicly known at the time when the Employer provides or provided, discloses or disclosed, or makes or made accessible or available it to the Employee or the Employee obtains or obtained it; (ii) was known by the Employee at the time when the Employer provides or provided, discloses or disclosed, or makes or made accessible or available it to the Employee or the Employee obtains or obtained it from the Employer if, when learning of it, the Employee was not, and to the Employee's best knowledge the source from or through which the Employee learned of it was not, subject to a confidentiality obligation to the Employer regarding it and to the Employee's best knowledge it was not misappropriated; or (iii) becomes publicly known through no action or fault of the Employee after the Employer provides or provided, discloses or disclosed, or makes or made accessible or available it to the Employee or the Employee obtains or obtained it.

.2 Prohibitions. Except solely to the extent expressly permitted under Section \_\_.3, the Employee hereby agrees not, directly or indirectly, to disclose, provide, divulge, or reveal to, or permit or give access to, or share with, any third party, or to publish, disseminate, circulate, or distribute, or to use, utilize, exploit or obtain any benefit from, or to copy, store, duplicate, reproduce, or create images or manifestations of, in whatever form or format, or to modify, change, amend, decompile, disassemble, reverse engineer or alter, or create any derivative works or derivations of, any Confidential Information, or part thereof, or any documents, recordings, images, material or



information regarding or reflecting any Confidential Information, or to permit, cause or tolerate any conduct, act, activity, omission or behavior of any third party that would constitute a violation of this Agreement if it is or had been any conduct, act, activity, omission or behavior of the Employee.

.3 Permission. The Employee may use any Confidential Information provided or made accessible by the Employer, and create copies, reproductions and manifestations of such Confidential Information (provided that the Employer shall be the sole and exclusive owner of all rights, title and interest in and to such copies, reproductions and manifestations) solely if and to the extent necessary for, and solely for the purpose of, performing the Employee's obligations under this Agreement. The Employee may disclose or provide any Confidential Information only to another employee of the Employer, or to another person with the express prior written consent of the Employer, solely if and to the extent necessary for, and solely for the purpose of, performing the Employee's obligations under this Agreement.

.4 Obligations. The Employee shall (i) take the same precautions to protect the confidentiality of the Confidential Information as it takes for its own confidential information, but in no event less than reasonable precautions; and (ii) cause any and all persons with access to the Confidential Information through the Employee to comply with all obligations and restrictions in this Agreement with regard to such Confidential Information. In the event that applicable law requires disclosure of any Confidential Information, the disclosure of such Confidential Information shall be subject to the following provisions of this Section \_\_.4. If the Employee is requested under, or required by, law to disclose any Confidential Information of the Employer, the Employee shall provide the Employer with prompt notice of such request or requirement and reasonably assist the Employer with seeking an appropriate protective order or other remedy as decided by the Employer. If such protective order or other remedy is not obtained, or to the extent that the Employer waives compliance with the terms of this Agreement, the Employee will disclose only such of the Confidential Information it is legally required to disclose and will use its best efforts to ensure that all Confidential Information so disclosed will be accorded confidential treatment.

\_\_.5 Term. The provisions in this Article \_\_ shall be in effective during the term of this Agreement and, with the exception of Section \_\_.3 hereof, shall survive the termination or expiration of this Agreement with regard to any information as long as such information is Confidential Information of the Employer.

11. Please highlight the pros and cons of reverting to civil instead of criminal or administrative remedies in your jurisdiction.

Generally, civil remedies are desirable because they afford access to injunctive remedies, including immediate temporary injunctive relief. Such immediate remedies can be important to speedily stop an ongoing misappropriation. Civil remedies also avail the plaintiff of the right to damages. The burden of proof for a criminal conviction is "beyond a reasonable doubt," which is much higher than the ordinary "balance of probabilities" burden of proof for a civil proceeding. Nevertheless, a criminal proceeding

can be useful and valuable in parallel to a civil proceeding. Sometimes, in the event of an overseas misappropriation or an elusive defendant, a criminal proceeding can be a useful investigative tool although it may also take longer than a private investigation. In summary, civil and criminal remedies should not be viewed as mutually exclusive alternatives but as supplementing each other.

12. What are the practical solutions adopted by companies in your jurisdiction to protect trade secrets (e.g. licensing, non disclosure agreements, non use agreements, others)? Are these solutions generally enforceable?

Companies adopt a variety of strategies to protect trade secrets. Generally, they may be categorized as legal and practical strategies. Legal strategies involve the execution of a written non-disclosure or confidentiality agreement before disclosing or making available any trade secrets to another party. Such agreements are often negotiated in detail and in many cases bilateral to protect each party's trade secrets. Such agreements are generally enforceable. Such agreements typically include a limited right to use the trade secrets for an expressly stated purpose and limited, if any, rights to disclose such trade secrets if necessary for such purpose. A license is typically granted as part of a broader technology agreement imposing limits on the rights to use and disclose the trade secret. Such license agreement also generally include confidentiality and non-disclosure obligations.

Practical strategies are typically crafted to minimize the risk arising from another's knowledge of the trade secrets. These involve both a considered selection of whether and what trade secrets should be disclosed and the diligent monitoring of the use of the trade secrets. The former includes conducting due diligence of the potential recipient of the trade secrets, which is particularly important with regard to technology or core trade secrets and/or in cross-border transactions. Many companies also take defensive steps to avoid exposure to a claim of trade secret misappropriation. Such steps include a clean-room environment, such that any research or development personnel of the recipient will not come into contact with any of the trade secrets. Otherwise, the risk of a potential misappropriation claim is high. Where the parties are competitors, this risk is especially high. In those cases, the recipient should consider whether it really needs to have access to the other party's trade secrets.

13. With regards to non disclosure and non use agreements:

- Are they effective and enforceable in your jurisdiction?

Yes. Agreements providing for the confidentiality or non-disclosure of trade secrets by the recipient of such trade secrets are principally effective and enforceable. Potential enforceability issues can arise if the agreement goes beyond protecting trade secrets owned by the discloser from the recipient's unauthorized use or disclosure, such as if the non-disclosure obligation is combined with a covenant not to compete. In such case, it depends on the specific covenant whether or not it is unenforceable.

- If so, is prevailing enforcement provided by contract law, unfair competition law, other?

The causes of action available to the discloser to enforce a non-disclosure covenant depend on the circumstances of each case. In many cases, a cause of action for breach of contract and trade secret misappropriation may be available in parallel. The UTSA expressly states that it does not preempt contractual remedies. UTSA §

7(b)(1); see also Cal. Civ. Code § 3426.7(b) (California); 765 ILCS 1065/8(b)(1) (Illinois). Remedies under other legal principles that are effectively based on a misappropriation of trade secrets are preempted by the UTSA. See *K.C. Multimedia, Inc. v. Bank of America Technology & Operations, Inc.*, 90 Cal. Rptr. 3d 247,257-58 (Cal. App. 6th Dist. 2009); 765 ILCS 1065/8(a) (Illinois).

- Does the US doctrine of inevitable disclosure exist in your jurisdiction?

The inevitable disclosure doctrine has been recognized in some but not all States. In *PepsiCo., Inc. v. Redmond*, the court, applying Illinois law, adopted by inevitable disclosure doctrine holding that "a plaintiff may prove a claim of trade secret misappropriation by demonstrating that defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets." 54 F.3d 1262, 1269 (7th Cir. 1995). On the other hand, the application of the doctrine as announced by PepsiCo. has been rejected under California law because it "is imposed *after* the employment contract is made and therefore alters the employment relationship without the employee's consent." *Whyte v. Schlage Lock Co.*, 125 Cal. Rptr. 2d 277, 293-294 (Cal. App. 4th Dist. 2002) (emphasis in original). In effect, the court concluded, application of this doctrine amounts to a covenant not to compete. *Id.*; see also *American Federal Group v. Rothenberg*, 136 F.3d 897, 909 (2d Cir. 1998).

14. With regards to cross-border litigation, intended as litigation to enforce protection of trade secrets involving different jurisdictions, considering that the foreign jurisdiction may be both a European and non-European jurisdiction and may be involved in the following cases:

- (a) Place where trade secrets are created/conceived, and/or
- (b) Place where misappropriation of trade secrets takes place, and/or
- (c) Place where unlawful use of trade secrets takes place, and/or
- (d) the parties are domiciled in a foreign jurisdiction.

As an example, you may think to the case of company X, which is established in jurisdiction A and conceives trade secrets in its jurisdiction; said trade secrets are misappropriated in jurisdiction B; these trade secrets are then unlawfully used in jurisdiction C. Given the above points (a), (b), (c) and (d), could trade secret litigation be started in your jurisdiction? If so, please specify in which of the cases above listed litigation would be actionable in your jurisdiction.

Whether a trade secret misappropriation claim could be brought in a court in the U.S. depends on whether such court has personal jurisdiction. Any court in the United States may not exercise personal jurisdiction over a defendant unless such defendant has minimum contacts with the forum State and exercise of personal jurisdiction does not offend traditional notions of fair play and substantial justice. *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945). If a defendant has a domicile in the forum State (*i.e.*, option (d) above), personal jurisdiction will generally exist. If this is not the case, the court in the forum State may exercise personal jurisdiction over the defendant if the defendant purposefully availed itself of the privilege of conducting activities within the forum State. *Hanson v. Denckla*, 357 U.S. 235, 253 (1958). Determination whether personal jurisdiction exists is a matter of the specific circumstances. Thus, personal jurisdiction may, but does not necessarily, exist in option (a), depending on where the defendant is located. If the defendant is present in the forum State and performs the misappropriation or unlawful use of the trade secrets in the forum State, personal jurisdiction over the defendant may likely exist in the forum State under options (b) and (c). However, if the defendant is not present in the forum State and the misappropriation or unlawful use is deemed to occur in the forum State by virtue of acts of the defendant outside the forum State, personal jurisdiction may not exist. In summary, personal jurisdiction must be decided on a case-by-case basis.

15. With regards to enforcement of foreign judgments on trade secrets in your jurisdiction, do courts of your jurisdictions always recognize as enforceable a foreign judgment, even if for example the trade secrets at stake would not be regarded as protectable at all according to the law of your jurisdiction or even if the protection afforded by your jurisdiction would be significantly weaker than that afforded by the foreign judgment?

In the United States, a distinction must be made between judgments by a court in a foreign country and judgments by a court in another State. Generally, with regard to the latter, judgements are recognized and enforced in accordance with the Uniform Enforcement of Foreign Judgments Act of 1986, which has been enacted by almost all States, DC, and the Virgin Islands. With regard to the former, foreign country judgments are at common law principally not given conclusive force but treated under the principle of comity, *i.e.*, while giving due regard to both international duty and convenience and the rights of the citizens, there is no obligation of a U.S. court to recognize and enforce a foreign country judgment. *Hilton v. Guyot*, 159 U.S. 113, 228 (1895). Since then, a number of States, including California and Illinois have enacted the Uniform Foreign-Country Money Judgments Recognition Act, promulgated by the NCCUSL (the "UFCMJRA"). The UFCMJRA only applies to money judgments, *i.e.*, those that grant or deny recovery of a sum of money, with the exception of taxes, fines, penalties, or judgements in connection with domestic relations. UFCMJRA § 3. As such, the UFCMJRA would not apply to injunctions so that a foreign owner of trade secrets would not have a right to enforce a foreign judgment enjoining use or disclosure of trade secrets in the United States.

The UFCMJRA establishes the recognition of a foreign-country money judgment that is final, conclusive, and enforceable under the law of the foreign country where it was rendered, unless any of permissible or mandatory exceptions set forth in the UFCMJRA apply. UFCMJRA § 4. Mandatory exceptions include the lack of jurisdiction or due process of law by the rendering court. *Id.* at § 4(b). Permissible exceptions include fraud, contravention of public policy of the recognizing State, and conflict with another final and conclusive judgement. *Id.* at § 4(c).